To view our GRI Index please visit
www.transurban.com/sr11/GRI.htm

Your feedback on this report is valuable, and helps us improve our reporting. For questions or comments contact our sustainability team.

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The Board approved a formal Climate Change Strategy which outlines the risks and opportunities presented by climate change to the business.

In September we were informed that we had again been recognised in the Dow Jones Sustainability Index (DJSI) World list. This is our sixth consecutive listing and while it is satisfying to achieve recognition for our efforts in sustainability, it was disappointing to see our overall score dip slightly. We lost ground in the economic and environmental areas, while we improved in the social dimension. We will pay significant attention to these areas in the coming year but will continue to look for ways to do things better in regards to sustainability right across our business.

Transurban set itself a number of sustainability commitments for FY11. How did the company fare?

We drew up a detailed and broad-ranging list of sustainability commitments for this year and have made significant progress, completing or advancing many of these.

Our achievement of Australian Standard 4801 safety accreditation was particularly satisfying and recognises the efforts we have put in to ensuring safety is central to all we do. We also reduced the lost-time injury rate across our business, another great result.

We continued to focus on stakeholder relations particularly in those areas where we have major construction projects—the Hills M2 in Sydney and Capital Beltway in Virginia.

We introduced a Diversity Policy in FY11. This year the focus was on gender and improving diversity on the Board and the senior management group in particular. We made some positive steps to achieving greater diversity with the appointment of Samantha Mostyn to our Board and an increase in the number of women occupying senior executive and senior management roles.

What will be the focus for Transurban in the coming year?

Safety will always be our top priority at Transurban so it goes without saying that this coming year we will continue to monitor and improve, where necessary, systems and processes.

In Australia in FY12 we are changing our injury measure from the Lost Time Injury Frequency Rate to Recordable Injury Frequency Rate. This further expands our safety focus by capturing injuries requiring medical treatment as well as lost time injuries. We are also including contractors where we control the Occupational Health and Safety outcome from the work they do.

We are also committed to making further progress on our Climate Change Strategy which means ensuring that action plans are updated and implemented right across the business.

This coming year we plan to conduct infrastructure risk assessments on our Sydney assets with majority management control—Hills M2, Eastern Distributor and Lane Cove Tunnel.

Longer term, what do you consider to be the main sustainability challenges for the company?

As a business in the infrastructure sector, the challenges for Transurban sit alongside those facing many developed countries across the world. How do we help keep our cities moving efficiently as we contend with growing populations, increasingly choked roads and infrastructure that can’t keep pace? How do we manage this in a sustainable way that minimizes the effects of climate change? There’s no quick-fix solution but as a toll road owner and operator— with a proven history of successful and innovative projects— we need to ensure we are right in the thick of discussions about how to address these issues.

We are already putting into practice projects that look far beyond simply laying more bitumen as a viable and sustainable solution to urban congestion. In Melbourne we combined our upgrade of CityLink with a state-of-the-art freeway management system. We have also utilised and will continue to advocate for innovative funding mechanisms that will help governments and the private sector get projects off the ground.

Our challenge is to continue to ensure our roads and projects create maximum value for all our stakeholders and ultimately keep our cities moving.

How does the company determine its priorities in responding to these challenges?

Transurban has a diverse range of stakeholders from governments and community to investors and customers and it is through our interaction with these groups that we are able to identify and prioritise the key sustainability issues for our business.

It is crucial that we understand our stakeholders’ priorities and that we look to balance them. Our lasting and positive relationships with these groups will ensure the long-term sustainability of our business.
We are a toll road owner and operator with assets and projects in Australia and the United States. Our focus is on partnering with governments to deliver roads that meet community needs over the long term.

We have 4.9 million account and non-account customers globally.1

**OUR ASSETS**

**AUSTRALIA**
- **Melbourne**
  - CityLink — 100 per cent ownership
- **Sydney**
  - Hills M2 — 100 per cent ownership
- **Lane Cove Tunnel** — 100 per cent ownership (assumed control 10 August 2010)
- **Eastern Distributor** — 75.1 per cent ownership (managed by Transurban)
- **Westlink M7** — 50 per cent ownership
- **M5 Motorway** — 50 per cent ownership

**UNITED STATES**
- **Virginia**
  - Pocohontas 895 — 75 per cent ownership
- **Capital Beltway High Occupancy Toll (HOT) lanes** — 67.5 per cent ownership

**OUR VALUES**

Our values underpin the way we do business and are central to how we work at Transurban. They are:

- Honesty
- Integrity
- Humility, and
- Accountability.

**OUR BUSINESS FRAMEWORK**

Transurban has adopted a business framework that we call ‘the wheel’. At its heart are our values and the adjoining segments represent our areas of focus. They are:

- **Safety** — our first priority is a safe workplace for our employees and safe roads for our customers.
- **People** — our employees help us operate and grow our business, so we want to create a workplace where they will thrive.
- **Excellence** — we are working to continually improve our performance and we aim to be a leader in our sector.
- **Financial discipline** — every dollar we spend should bring a return to investors or the community.
- **Growth** — we have a disciplined approach to growth. We will only consider new opportunities that meet our strict investment criteria.
- **Relationships** — the success of our business relies on lasting and meaningful relationships with governments, communities, investors and other stakeholders.
- **Environment** — we are committed to minimising our environmental impacts.

Our success in these areas will shape our corporate reputation and the sustainability of our business, and deliver benefits to Transurban investors and the community.

**KEY VALUE DRIVERS**

Our key value drivers of security holder value are depicted in a diagram known internally as “the wedge”. They are:

- Free cash, which we use to pay distributions to our security holders
- Growing tolls and traffic and cost control
- Asset enhancements such as Sydney’s Hills M2 Upgrade
- Negotiated transactions with governments, and
- Potential future transactions.

1 Account customers represent actual tag and video accounts held with Transurban entities. Non-account customers includes an estimate for tag account customers with EastLink, OML, RTA, FLDO and E-way who use Transurban roads plus an estimated number of individual customers who use either cash or video passes, or receive deferred toll notices, in New South Wales or late toll invoices in Victoria.

For more information about Transurban please visit our corporate website at www.transurban.com.
In our FY10 Sustainability Report, we identified three main sustainability challenges for our business: urban congestion, the Public Private Partnership (PPP) model and climate change. These challenges are still relevant to us today. It is difficult to consider each in isolation. Instead, we see them together as a single challenge—keeping our cities moving.

Keeping Cities Moving

At Transurban, we don’t like congestion. It’s not good for us as a business, and it’s not good for the community. Moreover, it’s not good for the economy—stifling productivity and growth.

Of course it also has a negative impact on the environment, which bears the brunt of choking motorways and city streets.

As the owner and operator of toll roads in the heart of Australia’s biggest cities—Sydney and Melbourne—and the developer of a major project in Washington DC in one of the most congested corridors in the US, it’s our business and our challenge to keep those cities moving.

It’s our challenge to help cities reap the benefits of free-flowing traffic and help drivers who choose to use our roads reach their destination faster and more safely. It’s about improving the efficiency of a city—moving people, goods and services faster and more effectively.

If we, along with government and industry, don’t address that challenge, Australia’s Bureau of Infrastructure, Transport and Regional Economics predicts that urban road congestion could cost the Australian economy $20 billion by 2020, nearly double today’s estimates.

Australia faces this challenge at a time of rapid population growth, particularly in the cities, and a widely acknowledged backlog of infrastructure projects that estimates say will cost upwards of $700 billion to get off the ground.

In the US, it is estimated that motorists spend 4.2 billion hours a year stuck in traffic, at a cost of US$78.2 billion a year, or US$710 per motorist.

Moreover, 33 per cent of major roads in the US are considered to be in poor or mediocre shape, and 36 per cent of major highways are congested. The current annual spending level of US$70.3 billion for highway capital improvements is well below the estimated US$186 billion needed annually to make substantial improvements to US highways.

These statistics from the American Society of Civil Engineers’ most recent “Report Card for America’s Infrastructure” [grade: D minus] clearly illustrate the need for action.

While infrastructure projects are critical to addressing the issue of urban congestion, it is our view that new roads, tunnels and bridges alone will not be the answer. Simply allowing our cities to sprawl is not sustainable. Companies like ours, along with governments and industry, need to look for long-term solutions. We need to work together to come up with better, smarter ways to make the most out of what we already have, while any new-build infrastructure needs to look to the long term and deliver positive and sustainable outcomes.

Smarter Solutions

For our part, we are drawing on our expertise to devise ways to avoid gridlock in our cities. In Melbourne, we worked with the Victorian State Government on a $1.3 billion project to upgrade the city’s major east-west freight and commuter corridor—the Monash, CityLink and Westgate freeways.

Not only does the project expand the capacity of the existing roadway, it uses a state-of-the-art freeway management system to actively manage traffic flow, lane availability and driver information through the corridor to ease congestion and improve traffic flow.

The Victorian Government estimates the M1 Upgrade will generate an estimated $14.5 billion in community benefits by removing congestion hotspots and providing more reliable travel times.

In the US, we are working with the Virginian Department of Transportation on a US$2 billion project building 23 kilometres of High Occupancy Toll (HOT) lanes on a section of the Capital Beltway, the ring road around Washington DC. The lanes will operate alongside existing freeway lanes to provide faster and more predictable travel to motorists who choose to pay the toll. Carpools with at least three people, buses and emergency vehicles will use the lanes for free.

Our projections show commuting times for drivers using the HOT lanes are expected to decrease significantly.

Reducing Greenhouse Emissions

As traffic moves more freely, the level of greenhouse gas emissions (GHG) is also expected to reduce.

Our own traffic modelling shows that using free-flow routes produces less GHG per kilometre than using an alternative route along arterial roads.

We have simulated trips along CityLink in Melbourne and the Hills M2 in Sydney for both petrol and diesel vehicles. The model found that vehicles using the freeflow route produced between 9 and 29 per cent less GHG per kilometre than vehicles travelling on the alternative stop-start route.

While there are obvious benefits to free-flowing travel, we recognise that road vehicle travel still generates significant amounts of GHG emissions.

We are acutely aware of the need for transportation solutions that look beyond bitumen and integrate public transport and additional transit improvements into the overall project to produce the best results for the community and the environment.

Innovative projects that combine smart solutions and allow the economy to grow in a sustainable way need to be at the forefront of any discussion on congestion busting. And at Transurban we must ensure that we are at the table for those discussions.
FUNDING NEW PROJECTS
The Federal Government’s establishment of Infrastructure Australia in 2008 was a valuable initiative to lengthen the planning horizon in Australia. Its release of the 2011 Infrastructure Priority List in July 2011 was a further step forward in crystallising priority projects.

However, the challenge to fund those projects is immense, and they will simply remain a wish list if state governments—and investors—do not get behind them.

At Transurban, we strongly believe that appropriately structured PPPs will move these projects off the wish list and into the real world.

Partnerships, where the engineering, contractual and financial perspectives are “real”, will continue to attract capital and deliver the projects so essential to ensuring economic prosperity.

The much-publicised failures of some toll road projects in Australia—which evolved on the back of inflated traffic and revenue forecasts and short-term interests—have rallied critics, who have questioned the viability of the traditional PPP model and the private sector’s role in meeting infrastructure needs.

However, those critics appear to overlook the successful PPP projects based on traditional procurement models that have delivered some great outcomes for taxpayers in Australia, with Transurban toll road projects CityLink in Melbourne and Westlink M7 in Sydney being two such examples.

Their success was based on clear procurement goals and objectives. For all parties involved, the end goal was to provide a high-quality asset for the community, with strong prospects for long-term value – not simply the delivery of a physical asset.

We believe there remains an appetite in the investor market for traffic risk. Ultimately, in the case of toll roads, it is the only true way for governments to bring new equity and private financing to the table. Abandoning the user-pays system as a source of infrastructure funding risks a move away from efficient pricing and allocation of our scarce economic resources.

However, if the investment community is to get behind the pipeline of projects in the near to medium term, the procurement path of these projects needs to be clearly articulated.

It is critical that the parties involved in these projects are all focused on the long term—from long-term rewards for investors to a sustainable solution for governments and the community.

Our challenge, again, is to ensure that Transurban is at the forefront of discussions with governments and industry about how to get these much-needed projects off the ground.

OUR CLIMATE CHANGE STRATEGY
As we work towards new and different solutions to keep our cities moving, we also understand that it is our responsibility to know and respond to the risks associated with climate change.

In August 2010, the Transurban Board endorsed our Climate Change Strategy. Through the strategy we aim to formalise our work in this area, developing Action Plans to ensure sustainability issues are captured and addressed in every section of our business.

One of our action items was to assess the potential physical risks that changes to weather events may pose to our infrastructure over time.

So far, we have assessed the impact to our key asset, CityLink, and, as a result, a risk related to climate change has been added to that asset’s risk register. The risk will be monitored regularly. In FY12 we plan to conduct infrastructure risk assessments on our majority-owned Sydney assets.

We have also assessed the financial impacts of the Australian Federal Government’s proposed carbon pricing scheme.

Our analysis of the scheme suggests that the impact to our business is unlikely to be significant.

However, while the financial risk of such a scheme may not be huge for us, it does not diminish our responsibility to manage our risks around climate change and understand our impact.

We know the cars on our roads make an impact, but we also know when the traffic flows freely that impact is reduced.

It is our challenge to look for solutions that keep the traffic—and our cities—moving.
TRANSURBAN’S APPROACH TO REPORTING

Our Sustainability Report is aimed at all internal and external stakeholders with an interest in Transurban’s sustainability performance. This includes employees, investors, customers, the community, governments, suppliers, contractors, financial analysts, non-government organisations and industry leaders.

Our 2011 Sustainability Report addresses sustainability issues relevant to Transurban and others in our industry.

DETERMINING PRIORITY ISSUES

The content of this report has been checked against the output of our formal materiality review with internal and external stakeholders. The review determined the most important and relevant issues for both Transurban and our stakeholders. Each of our markets—Victoria and New South Wales in Australia and Virginia in the US—and our corporate offices compiled a comprehensive list of issues using the 5 Part Materiality Test. The test covers:

- Direct, short-term financial performance
- Transurban’s ability to deliver on its strategy and policies
- Best practice norms exhibited by peers
- Stakeholder behaviour and concerns, and/or
- Societal norms, particularly where these are linked to possible future regulation.

Issues were then prioritised in accordance with the process outlined in our Stakeholder Engagement Framework, which rates issues on the basis of impact on Transurban and the significance to stakeholders. The issues identified through this process form the basis of the content within this report.

In addition, we consulted with subject matter experts across the business to identify, collect and interpret data relevant to this year’s report.

SCOPE

The report contains information on activities in FY11 (the period from 1 July 2010 to 30 June 2011), unless otherwise stated. We intend to continue to report annually on our sustainability progress.

Most of the information and data presented in this year’s report comes from our Australian roads as the majority of our operations are based in Australia. The report also covers Transurban’s corporate offices in Australia.

On the roads where Transurban has management control—CityLink, Hills M2, Lane Cove Tunnel, Eastern Distributor and Pocahontas 895—we have reported relevant sustainability information.

For the other roads—Westlink M7, M5, and the Capital Beltway HOT lanes—we are still able to report some aspects of sustainability performance.

Some of the reported data is collected by our major road operations and construction contractors—TransLink Operations Pty Ltd (TLO) for CityLink, Leighton Contractors for the Eastern Distributor, Conneq and Transroute for Hills M2, Leighton Contractors for the Hills M2 Upgrade, Transfield for Lane Cove Tunnel and Abigroup Contractors Pty Limited for the M1-CityLink Upgrade. We believe that the work they carry out for our assets forms part of our social and environmental footprint.

ACCURACY

Through this report, we aim to present an accurate picture of Transurban’s social, economic and environmental performance, and our governance landscape.

To provide stakeholders with a greater level of confidence in the company’s sustainability reporting, Ernst & Young, which combines financial auditing experience with technical competency in environmental and social standards, was appointed to provide limited assurance over certain information of this 2011 Sustainability Report.

After assessing the results of our materiality review, Transurban determined that assurance should primarily focus on five key issues:

- Customer safety
- Diversity
- Pay equity
- Green House Gas (GHG) emissions data, and
- Water data.

Ernst & Young’s Limited Assurance Statement can be viewed at www.transurban.com/sr11/assurance.pdf

GRI ACCORDANCE

This report is based on G3 guidelines published by the Global Reporting Initiative (GRI). GRI is a multi-stakeholder network that is considered to set the global standard for reporting in sustainability.

The GRI G3 provides us with a comprehensive framework that helps us assess and track our economic, social and environmental performance. It also provides us with a useful benchmark against other global companies.

GRI has rated our report at an A+ level for the sixth consecutive year. The GRI’s statement can be viewed at www.transurban.com/sr11/statement.pdf
We also review our reporting against other sustainability performance indicators such as the Dow Jones Sustainability Indexes and FTSE4Good Index.

UN GLOBAL COMPACT

We have communicated our progress against the UN Global Compact’s ten principles throughout this report in line with the GRI framework.

DATA METHODOLOGIES

GHG EMISSIONS

Scope 1 and 2

Transurban uses The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition) to draw boundaries around emission sources when quantifying our Scope 1, Scope 2 and Scope 3 GHG emissions.

Emission factors and calculation methodologies outlined in the Australian Government Department of Climate Change - National Greenhouse Accounts (NGA) Factors July 2011 are then applied to each data source.

For our US operations, we calculate Scope 1 GHG emissions using emission factors and calculation methodologies outlined by the US EPA for the calculation of GHG emissions from transportation and mobile sources. The EPA’s eGRID2010 Version 1.1 (May 2011) Year 2007 Summary Tables are used to calculate Scope 2 GHG emissions.

Scope 3

Transurban applies the GHG Protocol air travel method and emission factors to individual flight details to generate our Scope 3 emissions associated with corporate air travel. Australian Government NGA Factors July 2011 have been used to calculate Transurban’s Scope 3 emissions from waste, fuel use in incident response and operations and maintenance vehicles, fuel refining and transport and electricity transmission and distribution losses.

Customer Travel

We have calculated the Scope 3 emissions produced by customer vehicles travelling on CityLink, Hills M2, Lane Cove Tunnel, Eastern Distributor and M5. GHG emissions from these roadways were calculated using our traffic model developed in-house. The model uses traffic data that is extracted from our tolling system and represents actual trips along the roadway. The tolling system records information such as vehicle class, entry point and exit point of vehicles, giving an accurate representation of vehicle types and trip lengths.

Travel speeds are an additional contributing factor to calculating GHG emissions. As our tolling system on some of these roads time stamps each transaction it is possible to estimate average travel speeds for each individual trip. For roads with only single toll points, such as Eastern Distributor we have used surveyed average travel speeds. Fuel type is also important in the calculation of GHG emissions. Vehicle fuel type is estimated from information on fleet mix and fuel type for each state and city documented in the 2011 motor vehicle census.

Transurban’s in-house traffic model uses the above information and applies emission factors sourced from the University of South Australia that are sensitive to average travel speeds to calculate GHG emissions from customer vehicles travelling on CityLink, Hills M2, Lane Cove Tunnel, Eastern Distributor and M5 Motorway.

We have also calculated the Scope 3 emissions produced by customer vehicles travelling on Pocahontas 895. Customer vehicle miles travelled and vehicle class are estimated from tolling system information, and relevant emission factors from US EPA Highway Vehicle Emission Factor Models are applied to calculate the associated Scope 3 emissions.

SAFETY

Lost Time Injury Frequency Rate

The Lost Time Injury Frequency Rate (LTIFR) is the generally accepted way of measuring the safety performance in many companies in Australia. The definition of LTIFR is the number of Lost Time Injuries multiplied by 1 million divided by the number of man hours worked in the reporting period.

A Lost Time Injury is a work injury or illness where the injured party has at least one complete day or shift off work.

Incidence Rate

By comparison, in North America the generally accepted measure is Incidence Rate. The definition of Incidence Rate is the total number of Lost Time Injuries multiplied by 200,000 divided by the number of man hours worked in the reporting period.

Lost Work Day Case

In the US our contractors monitor the number of man hours worked without a lost work day case. The term ‘Lost Work Day Case’ means a nonfatal, traumatic injury causing any loss of time from work beyond the day or shift in which it occurred—or a job-related nonfatal, non-traumatic illness/disease that causes disability at any time. They also track their safety performance against industry peers through the nationally accepted Occupational Safety and Health Administration Recordable Incidence Rate benchmarks.

Collision Index

We use an internationally recognised index\(^3\) to report collision information on roads where we have management control—CityLink, Hills M2, Eastern Distributor and the Lane Cove Tunnel. The collision index shows the number of collisions per 100 million vehicle kilometres travelled. Collision data is collected by our road operations contractors.

\(^3\) Our index uses a methodology consistent with the International Traffic Safety Data and Analysis Group, a permanent working group of the Joint Transport Research Centre of the OECD and the International Transport Forum.
HOW WE OPERATE AT TRANSURBAN

CODE OF CONDUCT (HR)

Transurban is committed to maintaining a high standard of corporate governance. In FY11 our corporate governance framework and main governance practices complied with the Australian Securities Exchange (ASX) Corporate Governance Council’s Corporate Governance Principles and Recommendations.

After reviewing and relaunching our Code of Conduct in FY10, FY11 was about maintaining the focus on ensuring employees make decisions at work that are aligned with Transurban’s values and the way Transurban aims to conduct business. Our Equity and Code of Conduct education program continued to be rolled out to all new employees, covering issues such as harassment and bullying in the workplace, managing conflicts of interest and how to avoid breaches of the Code. The training also incorporates our Whistleblower and Fraud policies.

Breaches of the Code are considered to be a serious matter. Alleged and reported breaches are fully investigated by Human Resources to determine if a breach has occurred. Breaches are also recorded, along with the corrective actions taken. In FY11, the outcomes of our investigations included verbal and written warnings and termination of employment.

As indicated in the Breaches of Code of Conduct table, our focused effort in this area has yielded positive results, with a decrease in the number of incidents since FY10. The overall figure is still higher than ideal and the reduction of these remains a focus for Transurban.

Analysis of the incidents revealed that six of these breaches were related to equity in the workplace. In FY12 we will focus intensively on equity in the workplace, with education on Equal Employment Opportunity for all employees and managers. Additionally, there will be a continued focus on diversity awareness through the Manager Essentials program, specifically the Performance Improvement and Coaching & Feedback modules.

RISK MANAGEMENT

Managing risk is an essential part of our business. Key risks are regularly reviewed by the Board, Executive Committee, and the Audit and Risk Committee.

Transurban also has a business-wide risk framework in place to help create a consistent and rigorous approach to identifying, analysing and evaluating risks. This framework has various policies, standards and guidelines including the Risk Management Policy which can be found on our website at www.transurban.com/37.htm.

The framework is overseen by the Audit and Risk Committee and actively managed by the Executive Committee. It is consistent with the International Standard ISO31000 and is subject to regular review by internal audit. Our Audit and Risk Committee Charter is available on our website at www.transurban.com/37.htm.

BUSINESS RESILIENCE: EMERGENCY, THREAT AND CRISIS RESPONSE

Our Australian Emergency Strategy Team (EST) membership and structure was reviewed and adapted to better reflect responsibilities under our revised market-based corporate structure. A training program on EST roles and responsibilities was implemented for team members.

CityLink’s annual counter-terrorism exercise was conducted in conjunction with the annual emergency exercise, a CityLink concession deed obligation. The three-day exercise was held at Transurban’s Melbourne offices and involved emergency services and government departments. The Department of Transport and Victoria Police Critical Infrastructure Protection Unit assessed the exercise on behalf of the Minister for Roads under the Terrorism (Community Protection) Act obligations.

Contractors and other stakeholders involved in the Hills M2 Upgrade Project participated in an exercise. This assessed emergency management communication between project partners. The Hills M2 motorway also held a desktop exercise that included input from a select group of high-school students on what an emergency on the motorway would mean for them.

Eastern Distributor (ED) held its first counter-terrorism exercise facilitated by the NSW Police Critical Infrastructure Protection Unit. The exercise enabled Transurban and the ED operator to identify key response components that are expected by the Government. Operating in a heightened threat environment is essential to the ED as it is deemed Critical Infrastructure by the NSW Government.

Lane Cove Tunnel’s annual emergency exercise explored the risk posed by the introduction of new fuel types for transport using our toll roads.

The NSW assets (Hills M2, Lane Cove Tunnel, ED) held training and familiarisation for business continuity plans and followed this with a business continuity validation test for each of the asset facilities. Victoria’s business continuity plans were also reviewed and aligned with the new business model.

US BUSINESS

Business continuity and emergency planning in the US is focussed on the development of plans, procedures and inter-agency arrangements for the operation of the Capital Beltway HOT Lanes. A program has been developed and will commence in 2012 involving a series of desk top exercises. The program has been developed to validate business requirements and functionality of systems and incident management interfaces which are being implemented to coordinate response strategies with the Virginia Department of Transportation and Emergency Service providers. Transurban has prepared an Incident Management Plan for the project and this is the basis for the inter-agency planning and systems requirements definition.

TRANSURBAN INFRASTRUCTURE GOVERNANCE FRAMEWORK

The Transurban Infrastructure Governance Framework gives us a standardised approach to infrastructure management across the business.

In November 2010 the framework’s Project Delivery System was ISO 9001:2008 accredited. ISO 9001:2008 is
part of the family of standards related to quality management systems.

In January 2011 a company restructure resulted in a management review of the need for the Transurban Infrastructure Governance Framework. Management consider the Infrastructure Governance Framework central to ensuring a standardised approach across the business. In FY12 we will review and continue to roll out the framework to our newest asset, Lane Cove Tunnel, and to develop the more complex Engineering Management System requirements. The chapters will continue to be reviewed to ensure ongoing relevance.

SUSTAINABILITY GOVERNANCE

Last year the Sustainability Committee of the Transurban Board was disbanded based on a recommendation from an independent review of the role of the Committee. This review recommended that once sustainability was sufficiently embedded in the business, there would be no additional value from a separate Committee. Instead, sustainability should be considered by the Board – just like other strategic issues.

In August 2010 the Committee resolved that sustainability was sufficiently embedded in Transurban’s business. The Committee was disbanded and three performance measures were set based on key sustainability priorities identified by management.

These performance measures are now overseen by the Board at the end of each year. These measures include:

→ Ensure Transurban is prepared for climate change. (See Environment > Climate change)

→ Embed sustainability into standard business practice at Transurban. (See How we operate at Transurban > Embedding sustainability)

→ Improve the quality of sustainability reporting so it continues to align with stakeholder needs. (See Transurban’s approach to reporting > Determining priority issues).

SUSTAINABILITY FRAMEWORK

Transurban’s Sustainability Framework, developed in 2009, provides our Board, management and employees with a clear articulation of:

→ The definition of sustainability for Transurban

→ The business case for sustainability at Transurban

→ Our sustainability aspirations, and

→ Our fundamental business-wide sustainability commitments.

The framework helps inform our annual sustainability priorities, and it is the foundation for specific sustainability action plans developed by teams across our business. Each of these teams is responsible for developing and delivering its own plan, which helps to embed a culture of sustainability within Transurban.

Transurban’s overall approach to sustainability is formed around “four pillars” of sustainability - the environment, employees, marketplace, and communities.

Transurban’s sustainability pillars both influence and are influenced by our corporate strategy and governance framework. We believe there is a strong link between excellence in governance and business performance.

We choose to publicly report our sustainability performance to our stakeholders in the interests of accountability and transparency. We evaluate our performance against the sustainability goals and targets we set for our programs and projects. Sustainability reporting is also used as a management tool to assess sustainability performance, benchmark against industry peers and identify significant gaps in our sustainability program. Our sustainability reporting has also helped to drive the agenda for change across the business.

In subsequent sections you will find a review of our performance in each of the four pillars.

EMBEDDING SUSTAINABILITY

To further our goal of embedding sustainability into standard business practice at Transurban, teams across the business have developed sustainability action plans over the last three years.

Our in-house Sustainability team helped facilitate the development of these plans, which were shaped by Transurban’s Sustainability Framework. Each team’s plan focuses on those areas where they can have the greatest impact on Transurban’s ability to meet our overall sustainability objectives.

Each year teams review and update their sustainability action plans as part of the company’s annual planning process.

As at 30 June 2011, all of the items identified by teams in FY11 had been addressed as being either complete, in progress or not going ahead. Of these, 86 per cent were complete with 11 per cent in progress and 3 per cent not going ahead due to changes within the business.
9 AUGUST 2010: LANE COVE TUNNEL ACQUISITION
We reached financial close on the acquisition of the Lane Cove Tunnel in Sydney. The 3.6-kilometre tunnel is a key link in the Sydney orbital network that connects to Hills M2. The acquisition makes great sense for us—it further strengthens our position in the network and increases our exposure to the city’s fast growing north-west corridor.

10 AUGUST 2010: CLIMATE CHANGE STRATEGY
Our Climate Change Strategy was completed and endorsed by the Sustainability Committee. The strategy sets out the potential impacts, opportunities and commitments for our business. See Environment section.

11 AUGUST 2010: SUSTAINABILITY COMMITTEE DISSOLVED
The committee was dissolved after an internal review found that sustainability was sufficiently embedded in the business. It was determined that sustainability, like other strategic issues, should be considered by the Board not a separate committee.

12 AUGUST 2010: FULL-YEAR RESULTS
We announced our results for the financial year ending 30 June 2010, reporting a 13.1 per cent increase in underlying proportional Earnings Before Interest Taxation Depreciation and Amortisation of $629.9 million.

12 AUGUST 2010: NEW CHAIRMAN APPOINTED
Lindsay Maxsted was appointed Chairman of Transurban’s Board. Mr Maxsted, who joined the Board on 1 March 2008, had served as Chairman of the Audit and Risk Committee and as a member of the Nomination and Sustainability committees. He replaced David Ryan, who resigned from the Board.

20 AUGUST 2010: NEW BOARD MEMBER
Professor Bob Officer joined the Board as the nominee director of CP2 Limited, Transurban’s largest security holder with more than 12 per cent of the issued capital.

17 SEPTEMBER 2010: DEBT REFINANCING
Westlink M7 reached financial close on the financing of $505m of debt to replace a tranche of its debt due to mature in December 2010. Westlink is 50 per cent owned by Transurban and 50 per cent by Western Sydney Roads Group. The refinancing reflected Westlink’s strong investment grade credit rating and its traffic and earnings growth history and outlook.

3 OCTOBER 2010: SOUTHERN LINK FOURTH LANE OPENED
The fourth inbound lane on CityLink’s Southern Link opened, completing major works on CityLink as part of the $1.39 billion Monash-CityLink-Westgate Upgrade project. The upgrade includes additional lanes and a state-of-the-art freeway management system to monitor and improve traffic flow.

5 OCTOBER 2010: SAFETY ACCREDITATION
We achieved AS4801 safety accreditation for our offices and sites that underwent a review. The policies and procedures put in place also helped us reduce our Lost Time Injury Frequency Rate across our business by 68 per cent compared to FY10.

26 OCTOBER 2010: ANNUAL GENERAL MEETING:
Our investors voted against two of the five resolutions requiring a vote at the AGM – the adoption of the FY10 Remuneration Report and the granting of Performance Awards to the CEO. The feedback related largely to the way executive remuneration was structured and measured, and did not reflect concern about performance of the Group or the management team. See Marketplace section.

19 NOVEMBER 2010: HILLS M2 UPGRADE FINANCIAL CLOSE
We completed a financing of $740 million of non-recourse project debt for our 100 per cent owned Hills M2 Motorway Project. The $740 million comprised re-financing of $465 million of existing debt; and raising of $275 million of additional financing to fund the debt component. Contractual close was reached in October after the project received environmental approval under the Environmental Planning and Assessment Act 1979.

7 DECEMBER 2010: DIVERSITY POLICY ENDORSED
The Board endorsed our new Diversity Policy, which reinforces the priority that we place on improving diversity right across our business. See Employees section.

8 DECEMBER 2010: NEW BOARD MEMBER
Sam Mostyn joined the Board as a non-executive director. Ms Mostyn has more than 15 years experience in senior management including as Director of the Institute for Sustainable Solutions at the University of Sydney.

14 JANUARY 2011: RICHMOND AIRPORT CONNECTOR OPENS
The Airport Connector Road, an extension of Pocahontas 895 linking directly to Richmond International Airport, opened to traffic two months early and boasted a perfect safety record, logging no lost-time accidents in 942 days of work.

17 JANUARY 2011: HILLS M2 UPGRADE CONSTRUCTION STARTS
Work began on the project, which will add lanes in both directions along 14.5kms of the roadway to help ease congestion and traffic flow in the morning and afternoon peaks and increase access to key residential, business and education centres along the corridor.

27 JANUARY 2011: EXECUTIVE MANAGEMENT TEAM RESTRUCTURED
We announced a restructure of our executive team to ensure clear market-based accountability. The restructure aimed to better align strategic direction and accountabilities. See Employees section.

10 FEBRUARY 2011: HALF-YEAR RESULTS
We released our half-year results for the six months ended 31 December 2010. Underlying free cash was up 16.6 per cent and proportional EBITDA was up 9.5 per cent.
17 April 2011: Run for the Kids
More than 33,000 walkers and runners took part in our sixth Run for the Kids event in Melbourne, raising $1.4 million for the Royal Children’s Hospital. See Community section

30 June 2011: Hot Lanes Construction
Work on our High Occupancy Toll (HOT) lanes project on the Capital Beltway in Washington DC was more than 70 per cent complete by 30 June.

30 June 2011: Construction Contractor Safety
Our Lost Time Injury Frequency Rate of 0.59 rates among the best in the industry. This has been achieved by a culture of safety including daily tool box meetings and zero tolerance to unsafe work practices.

Ongoing

Hills M2 Upgrade
Every effort is being made to minimise traffic disruptions through construction but we acknowledge there are significant impacts—especially during work on the tunnels. We are intent on delivering this project on time in the first half of 2013 and providing much-needed relief for drivers in Sydney’s northwestern corridor. See Communities section

M5 West Widening
Interlink Roads and the NSW Government are continuing to work towards an upgrade of the M5 to ease peak-period congestion. Interlink—the owner of the M5—is 50 per cent owned by Transurban.

The new NSW Government has requested an independent review of negotiating material. At the time of this report, this review was under way, with an outcome pending.

We believe this proposed upgrade would provide a much-needed respite for motorists on the M5 and will endeavour to progress the project as fast as possible. We believe the project remains a priority for the new NSW government and we are ready to engage on final commercial terms.

I-95 Hot Lanes Project
With our partner Fluor, we are working with the Virginia Department of Transportation in the US to finalise the scope, financial plan and commercial agreement for the I-95 HOT lanes project. The project’s federal environmental review process is near completion.

As always, Transurban will only commit to a project which delivers a valuable service to potential customers and, as a result, is a value accretive addition to our portfolio.

Awards and Achievements

→ Earned ‘Best Report in the Transport Sector’ in the Association of Chartered Certified Accountants (ACCA) sustainability reporting awards for Australian and New Zealand for FY10 reporting

→ Won the American Road and Transportation Builder Association’s 2011 Work Zone Safety Awareness Award (‘Outreach’ category) for the “Orange Cones. No Phones.” anti-distracted driving campaign on the Capital Beltway HOT lanes project

→ Received a 2010 Impact Award for Best Organisational Communication Program (‘Community Relations’ category) for the “Orange Cones. No Phones.” safety campaign (Impact Awards recognise the best people, practices and programs in the PR and communications industries)

→ Jointly awarded the 2011 Government Partnership Excellence Award at Infrastructure Partnership Australia’s National Infrastructure Awards for the Hills M2 Motorway Upgrade being developed by Transurban and the New South Wales Roads & Traffic Authority (the project was also a finalist in the Financial Excellence category)

→ Jointly awarded the National ITS Australia Excellence Award in November 2010 for Victoria’s M1 Upgrade (along with our partners VicRoads), which was recognised for safety, mobility or environment considerations

→ Achieved Australian Standard 4801 safety certification for our offices and sites that underwent review in October 2010

→ Won the inaugural Australian Smart Infrastructure Award from Infrastructure Partnerships Australia and the Commonwealth Government in August 2010 for the M1 Upgrade’s Freeway Management System

→ Listed in the Dow Jones Sustainability Indexes World list (DJSI World) each year from 2006 to 2011

→ Included in the Carbon Disclosure Project (CDP) Climate Leaders List for Australia and New Zealand each year from 2006 to 2010. [Results for 2011 not released at the time of printing). To view our submission go to www.transurban.com/sr11/TU_CDP_2011_response.pdf

→ Listed as a member company in the FTSE4Good Index Series [April 2011] for the eighth consecutive year
## Transurban’s Key Figures for 2011 Report (As at 30 June 2011)

### Financial

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Underlying Proportional results:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Toll Revenue (million)</td>
<td>N/A</td>
<td>572.6</td>
<td>723.4</td>
<td>778.7</td>
<td>809.7</td>
<td>891.0</td>
</tr>
<tr>
<td>Total Revenue (million)</td>
<td>N/A</td>
<td>591.2</td>
<td>785.6</td>
<td>843.7</td>
<td>880.3</td>
<td>965.6</td>
</tr>
<tr>
<td>Proportional EBITDA (million)</td>
<td>N/A</td>
<td>394.3</td>
<td>523.0</td>
<td>583.4</td>
<td>635.3</td>
<td>718.7</td>
</tr>
<tr>
<td>Free Cash (million)</td>
<td>N/A</td>
<td>135.9</td>
<td>268.7</td>
<td>263.6</td>
<td>347.5</td>
<td>390.2</td>
</tr>
<tr>
<td>Distribution per security (cents)</td>
<td>50.0</td>
<td>54.0</td>
<td>57.0</td>
<td>22.0</td>
<td>24.0</td>
<td>27.0</td>
</tr>
</tbody>
</table>

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### Environmental

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total direct and indirect GHG emissions [tonnes CO2-e], of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>35,810$</td>
<td>38,882$</td>
<td>53,594$</td>
<td>53,335$</td>
<td>53,319$</td>
<td>113,750$</td>
</tr>
<tr>
<td>Scope 1 (tonnes CO2-e)$</td>
<td>6</td>
<td>27</td>
<td>209</td>
<td>231</td>
<td>204</td>
<td>147</td>
</tr>
<tr>
<td>Scope 2 (tonnes CO2-e)$</td>
<td>33,200</td>
<td>35,076</td>
<td>47,304</td>
<td>44,701</td>
<td>45,861</td>
<td>60,726</td>
</tr>
<tr>
<td>Scope 3 (tonnes CO2-e)$</td>
<td>2,604</td>
<td>3,779</td>
<td>6,081</td>
<td>8,403</td>
<td>7,254</td>
<td>52,877</td>
</tr>
<tr>
<td>Customer travel emissions (tonnes CO2-e)$</td>
<td>N/D</td>
<td>333,180</td>
<td>392,842</td>
<td>412,569</td>
<td>428,467</td>
<td>653,328</td>
</tr>
<tr>
<td>Transurban’s potable water use (million litres)</td>
<td>35.7$</td>
<td>21.7$</td>
<td>26.5$</td>
<td>23.9$</td>
<td>23.4$</td>
<td>43.6$</td>
</tr>
<tr>
<td>CityLink total water withdrawal (million litres), of which:</td>
<td>347.2</td>
<td>286.9</td>
<td>292.1</td>
<td>267.9</td>
<td>243.7</td>
<td>298.7</td>
</tr>
<tr>
<td>Groundwater from tunnels (million litres)</td>
<td>311.5</td>
<td>265.7</td>
<td>275.5</td>
<td>251.9</td>
<td>243.2</td>
<td>258.5</td>
</tr>
<tr>
<td>Potable water use (million litres)</td>
<td>35.7</td>
<td>21.2</td>
<td>16.6</td>
<td>16.0</td>
<td>20.5</td>
<td>40.2</td>
</tr>
<tr>
<td>CityLink volume of water recycled/reused (million litres)</td>
<td>223.5</td>
<td>170.2</td>
<td>190.7</td>
<td>192.5</td>
<td>183.9</td>
<td>183.4</td>
</tr>
<tr>
<td>CityLink percentage of water recycled/reused (%)</td>
<td>64</td>
<td>59</td>
<td>65</td>
<td>72</td>
<td>70</td>
<td>61</td>
</tr>
<tr>
<td>Compliance with EPA Victoria waste discharge licence for CityLink tunnels (%)</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>e-TAGS issued – CityLink, roam and roam express</td>
<td>N/D</td>
<td>305,487</td>
<td>318,388</td>
<td>327,994</td>
<td>292,179</td>
<td>292,836</td>
</tr>
<tr>
<td>e-TAGS recycled – CityLink, roam and roam express</td>
<td>207,741</td>
<td>86,700</td>
<td>98,649</td>
<td>126,079</td>
<td>97,193</td>
<td>88,829</td>
</tr>
</tbody>
</table>

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a. The Group did not report underlying proportional results prior to 30 June 2007.
b. The Group’s underlying proportional results reflects business performance. Prior year results have been restated to include the M4.
c. Includes CityLink data only.
d. Includes CityLink, Hills M2 and corporate offices data only.
e. Includes CityLink, Hills M2, Eastern Distributor, M4, M5, Pocahontas 895 and corporate offices data.
f. Includes CityLink, Hills M2, Eastern Distributor, M5, Pocahontas 895 and corporate offices data.
g. Includes CityLink, Hills M2, Eastern Distributor, M5, Pocahontas 895, Lane Cove Tunnel, corporate offices, Hills M2 Upgrade Project and Capital Beltway Upgrade Project data.
h. Scope 1 emissions are direct emissions from sources that are owned or controlled by the business. For Transurban, this includes the fuel used in our maintenance and emergency vehicles.
i. Scope 2 emissions are indirect emissions associated with the generation of purchased electricity. For Transurban, this includes electricity used on our roads and tunnels, and in our offices and other facilities.
j. Scope 3 emissions are indirect emissions that arise as a consequence of the activities of the business but occur from sources not owned or controlled by the business.
k. Includes CityLink, Hills M2, Eastern Distributor, Lane Cove Tunnel and M5 data.
l. Includes CityLink, Hills M2, M5 and Pocahontas 895 data.
m. Includes CityLink, Hills M2, Eastern Distributor, M4, M5, and Pocahontas 895 data.
n. Includes Hills M2, Eastern Distributor, M4 (until February 2010), M5, Pocahontas 895 data.
o. Includes CityLink, Hills M2, Eastern Distributor, Lane Cove Tunnel, M4 and Pocahontas 895 data.
## Employees

<table>
<thead>
<tr>
<th>Year</th>
<th>Total number of employees</th>
<th>Employees leaving Transurban – voluntary (%)</th>
<th>Australian Employees Lost Time Injury Frequency Rate (LTIFR)</th>
<th>US Employees Incidence Rate</th>
<th>Women in Leadership (%)</th>
<th>Employees covered by collective bargaining agreements (%)</th>
<th>Employee fatalities</th>
<th>Employee engagement score (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>706</td>
<td>N/A</td>
<td>N/A</td>
<td>N/D</td>
<td>N/D</td>
<td>N/A</td>
<td>0</td>
<td>83</td>
</tr>
<tr>
<td>2006-07</td>
<td>798</td>
<td>18</td>
<td>N/A</td>
<td>N/D</td>
<td>N/D</td>
<td>N/A</td>
<td>0</td>
<td>79</td>
</tr>
<tr>
<td>2007-08</td>
<td>712</td>
<td>19</td>
<td>7.37</td>
<td>N/D</td>
<td>N/D</td>
<td>N/A</td>
<td>0</td>
<td>81</td>
</tr>
<tr>
<td>2008-09</td>
<td>605</td>
<td>12</td>
<td>6.94</td>
<td>N/D</td>
<td>N/D</td>
<td>N/A</td>
<td>0</td>
<td>80</td>
</tr>
<tr>
<td>2009-10</td>
<td>640</td>
<td>8</td>
<td>3.64</td>
<td>N/D</td>
<td>N/D</td>
<td>N/A</td>
<td>0</td>
<td>80</td>
</tr>
<tr>
<td>2010-11</td>
<td>643</td>
<td>4</td>
<td>1.17</td>
<td>N/D</td>
<td>N/A</td>
<td>N/A</td>
<td>0</td>
<td>81</td>
</tr>
</tbody>
</table>

*p Excludes Non-Executive Directors, maternity leave employees and employees on salary continuance for more than 12 months. Non-Executive Directors excluded as they do not fit into defined employee types; this is consistent with reporting in prior years. Maternity leave positions are usually backfilled and are excluded to avoid double counting. Total workforce is a snapshot in time (as at 30 June) rather than the maximum workforce number over the financial year due to system limitations. Contractor total excludes Master Vendor contractors working onsite at Transurban. Transurban definition of ‘Position of Leadership’ refers to employees within CEO, senior executive and senior management roles. The definition of Senior Manager has been revised for FY12 and the figures for 2010-11 reflect the FY12 classification. By applying the 2009-10 definition to 2010-11 data, the figures are 9 females (27.3%) and 24 males (72.7%).

q Includes all permanent full-time and part-time employees

r LTIFR = (number of occurrences / number of hours worked) x 1,000,000

s Excludes journey claims

u Incidence rate = (total number of lost time injuries X 200,000) / number of hours worked

## Marketplace

<table>
<thead>
<tr>
<th>Year</th>
<th>Transurban Customer Resolution Group – number of enquiries</th>
<th>Number of complaints escalated to Ombudsman</th>
<th>Fatalities on Transurban’s roads – CityLink</th>
<th>Fatalities on Transurban’s roads – Hills M2</th>
<th>Fatalities on Transurban’s roads – Eastern Distributor</th>
<th>Fatalities on Transurban’s roads – Pocahontas 895</th>
<th>Fatalities on Transurban’s roads – Lane Cove Tunnel</th>
<th>Customer satisfaction – CityLink Service Call Centres (%)</th>
<th>CityLink Incident Response time – traffic lane [mins:secs]</th>
<th>CityLink Incident Response time – emergency lane [mins:secs]</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>5,787</td>
<td>81</td>
<td>1</td>
<td>0</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/D</td>
<td>4.07</td>
<td>6.40</td>
</tr>
<tr>
<td>2006-07</td>
<td>6,900</td>
<td>150</td>
<td>4</td>
<td>1</td>
<td>0</td>
<td>N/A</td>
<td>N/A</td>
<td>N/D</td>
<td>4.11</td>
<td>6.55</td>
</tr>
<tr>
<td>2007-08</td>
<td>5,300</td>
<td>154</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>N/A</td>
<td>N/A</td>
<td>N/D</td>
<td>4.39</td>
<td>7.52</td>
</tr>
<tr>
<td>2008-09</td>
<td>5,764</td>
<td>178</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>N/A</td>
<td>N/A</td>
<td>N/D</td>
<td>4.27</td>
<td>7.00</td>
</tr>
<tr>
<td>2009-10</td>
<td>4,564</td>
<td>178</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>N/A</td>
<td>N/A</td>
<td>N/D</td>
<td>4.44</td>
<td>7.44</td>
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<tr>
<td>2010-11</td>
<td>4,984</td>
<td>178</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>N/A</td>
<td>N/A</td>
<td>N/D</td>
<td>4.46</td>
<td>7.29</td>
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</table>

## Community

<table>
<thead>
<tr>
<th>Year</th>
<th>Total community contributions ($ thousands approx)</th>
<th>Total employee contributions through TransGiving ($)</th>
<th>Employees participating in TransGiving [% as at June 30]</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>N/D</td>
<td>37,815</td>
<td>29</td>
</tr>
<tr>
<td>2006-07</td>
<td>800,000</td>
<td>41,831</td>
<td>28</td>
</tr>
<tr>
<td>2007-08</td>
<td>600,000</td>
<td>45,982</td>
<td>22</td>
</tr>
<tr>
<td>2008-09</td>
<td>560,000</td>
<td>31,584</td>
<td>20</td>
</tr>
<tr>
<td>2009-10</td>
<td>450,000</td>
<td>26,099</td>
<td>18</td>
</tr>
<tr>
<td>2010-11</td>
<td>750,000</td>
<td>36,432</td>
<td>18</td>
</tr>
</tbody>
</table>

v In 2010-11, the methodology was changed to accurately calculate standard hours per day and then unplanned absenteeism. FY10 methodology applied to FY11 results is 6.86 days.

w These figures represent hours spent on in-house training courses offered by our Learning and Development team. It does not capture hours spent on external training courses.

x Transurban definition of ‘Position of Leadership’ refers to employees within CEO, senior executive and senior management roles. The definition of seniority level has been revised for FY11 and the figures for 2010-11 reflect the FY11 classification. By applying the 2009-10 definition to 2010-11 data, the figures are 9 females (27.3%) and 24 males (72.7%).

y Represents breaches reported and investigated by Human Resources

z Transurban’s dispute resolution process continues to be available to all customers. Of note, it appears a larger number of customers are taking their enquiry directly to the Tolling Customer Ombudsman as evidenced by the increase in escalations compared to previous years.

aa The measure for Customer Satisfaction was changed in FY11 to provide a more appropriate measure on the experience that the Customer Service Officer was providing to the customer. Questions regarding general company performance were not included in this year’s survey results.
Environmental sustainability is a key consideration on our roads and projects and in our offices. Over the past year, we have continued to work on improving the structures we have in place to ensure we fulfil our commitments in this area.

ENVIRONMENTAL GOVERNANCE

In FY11 we improved our Environmental Management System (EMS) framework to further align it with international standards.

The EMS is the tool we use to manage and assess our current and future environmental impact and risk, and to realise any opportunities.

In FY10 we commissioned sustainability consultants Net Balance Management to assess the effectiveness of our EMS. They recommended we align our processes with ISO14001, and in FY11 we made progress on this. We expect to develop an implementation schedule for roll out of the enhanced framework during FY12.

Over the past year we continued to implement our existing EMS processes on assets over which we have management control:

→ An Environmental Compliance and Sustainability Review was conducted by consultants SKM on the Eastern Distributor (ED). The review identified environmental risks, liabilities and sustainability issues for the motorway. The findings will inform the development of an Environmental Management Plan (EMP) for the ED in FY12.

→ An EMP was started for Hills M2 motorway, with completion expected in FY12.

→ We started to roll out our EMS on Lane Cove Tunnel during FY11, developing a centralised data repository for entering and managing the road’s environmental performance data. This will continue into FY12.

→ Transurban’s EMS does not currently cover the M5 motorway, but the M5 has its own established EMS. In May 2011, consultants BSI conducted an audit of the system, which resulted in renewal of the motorway’s ISO14001 accreditation.

CLIMATE CHANGE

In August 2010, our Board approved a formal climate change strategy that articulates the risks climate change presents to our business—and our strategic response to these.

In FY11, we undertook the following climate change initiatives:

→ Modelled the potential impact on costs of energy prices increases for Australian road assets (if the carbon tax is introduced)

→ In the US we demonstrated the congestion (and therefore fuel savings) benefits of High Occupancy Toll (HOT) and managed lanes to governments and other stakeholders

→ Provided information and tools to educate customers on ways to reduce their emissions from driving

→ Continued to develop our GHG inventory measuring our Scope 1, 2 and 3 emissions, and

→ Continued to assess options to reduce our emissions within our operations and projects.

In August 2010 we carried out market research to give us insight into the community’s perceptions of climate change and what these mean for the future of driving in Australia. Information was gathered through exploratory, qualitative research with key Transurban stakeholders and the general community.

The research revealed that the general community wants to keep driving, but they are conscious of the increasing financial and social costs, and, to a lesser extent, the environmental costs, given these are largely invisible to them. It also showed the community is open to the idea of a ‘pay-as-you-drive’ scheme, as they understand society is shifting towards user-pays services.

In February 2011 Transurban invited industry, government and non-governmental organisations (NGOs) in Victoria to a discussion on the research findings. The purpose of the event was to identify any common concerns or approaches related to climate change and the future of driving behaviours.

This session highlighted the need for further dialogue and an integrated approach to sustainable transport. We will assess our ongoing role in this forum in FY12.

CITYLINK

In FY11 we added an overall climate change risk to CityLink’s risk register, which will be reviewed on a six monthly basis.

This change resulted from our analysis of an FY10 infrastructure risk assessment of climate change on CityLink’s key assets by our consultants, AECOM.

They had concluded that climate change has the potential to cause consequential impact to CityLink’s functional and operational performance. The predicted impacts could include an increase in maintenance costs, reduction in asset life and a potential to reduce tolling revenue.

In FY12 we plan to conduct a similar infrastructure risk assessment on our Sydney assets with majority management control—Hills M2, ED and Lane Cove Tunnel.

CARBON PRICING

We have conducted a sensitivity analysis of the financial impact of the Federal Government’s proposed Carbon Pricing Mechanism. Our modelling shows that the introduction of the proposed mechanism would increase the costs of energy and construction projects due to the GHG emissions associated with the production of concrete, steel and asphalt.

Our model suggests that the impact to the business is unlikely to be significant. As more detail becomes available on the proposed mechanism we will continue to update our model to monitor the potential impact to Transurban.

ENERGY AND GHG REDUCTION

Our Scope 3 GHG emissions increased significantly this financial year. This was the result of our acquisition of Lane Cove Tunnel and construction work on Hills M2 and the Capital Beltway HOT lanes. The increase in customer travel emissions is due to M5 and Lane Cove Tunnel data being included in FY11 calculations.
CITYLINK
In 2005 we set a five-year target to reduce our Scope 2 GHG emissions on CityLink—our single greatest source of emissions. The total savings target was 25,000 tonnes, on a cumulative basis, over a five year period—or 15 per cent reduction on the baseline.

Our commitment period for this target ended in FY11, and we had by this time exceeded our target—achieving a total cumulative savings of 26,281 tonnes CO2-e on the baseline measure. We did this through a number of initiatives covered in our previous sustainability reports.

www.transurban.com/90.htm

In September 2010, as a result of negotiations with EPA Victoria, Transurban was issued a new licence allowing tunnel portal emissions for the Domain Tunnel during low traffic periods (8pm – 4am). The previous licence required the tunnels to operate with zero portal emissions 24 hours a day.

The new licence was issued after CityLink conducted a ventilation trial supported by EPA Victoria. The trial indicated there were minimal effects on air quality around the tunnel portals when the ventilation system was switched off overnight.

In FY11 CityLink and our operations contractor commissioned our energy retailer to do an energy audit to help us determine if we could further reduce energy use on CityLink. The audit found that the modified licence conditions and subsequent changes to the operation of the ventilation system have resulted in a 5.7 per cent drop in energy use for ventilating the Domain Tunnel since the September 2010 implementation. Recommendations from the energy audit will be finalised in FY12.

Over the past year CityLink began trialling LED lights for the architectural lighting on the Bolte Bridge. Another trial is planned for FY12 to determine whether permanent installation is feasible on the bridge and in the ‘Gateway’ section of CityLink. If these changes are implemented, they are expected to save about 340 tonnes GHG emissions per annum.

During FY12 we will work towards developing a new GHG emissions target for CityLink. We are considering setting an intensity target since our energy use increases as traffic increases in the tunnels. This is because the tunnel ventilation systems operate at a higher capacity during these times.

LANE COVE TUNNEL
In FY11 we started discussions with the New South Wales Roads and Traffic Authority (now Transport for NSW) about conducting a ventilation trial on the Lane Cove Tunnel, where licence conditions require zero portal emissions at all times. Tunnel ventilation accounts for the majority of energy use at Lane Cove Tunnel, so any opportunities to reduce ventilation without impacting the surrounding air quality could considerably reduce the GHG emissions associated with operating the tunnels.

The proposed trial would involve testing a range of lower ventilation options during periods of low traffic volumes, and monitoring the ability of these options to maintain the desired air quality and flow. Discussions are ongoing, and a long-term trial is expected to start in FY12.

SOUTHERN LINK UPGRADE
On our Southern Link Upgrade—part of the broader M1-CityLink Upgrade in Melbourne—we have set sustainability Key Result Areas (KRAs) for construction work, including those specifically related to reducing GHG emissions. The upgrade set a target of offsetting emissions associated with fuel, energy, concrete, steel and asphalt use during construction (excluding category B strengthening works).

During FY11 we had the project’s GHG emission inventory externally assured and began assessing appropriate carbon offset products for purchase. We have decided on a suitable carbon offset product and purchase of the offsets to cover the remaining GHG emissions is expected in FY12.

HILLS M2 UPGRADE
In Sydney, construction started on the upgrade of our Hills M2 motorway in FY11.

As part of the project’s set up, we established sustainability KRAs, including those related to GHG emission reductions during construction. For example, new energy controllers have been added to the power circuits for the new street lighting being installed as part of the upgrade. These regulate the voltage supplied to the lights, which reduces energy consumption and increases the life cycle of the units.

In the Environment Assessment conducted during the upgrade project’s approvals stage, AECOM predicted that the upgrade would create emissions savings of approximately 46,000 tonnes CO2-e per year for the first few years of operation, compared with the project not proceeding. These predicted savings would be generated by more freeflowing travel across the Sydney network. The annual savings are expected to decrease over time as vehicles become more fuel efficient and traffic volumes increase.

HOT LANES OPERATIONS CENTRE
The operations centre for our Capital Beltway HOT lanes project was substantially complete in FY11.

Given our commitment to providing sustainable solutions to transportation projects, Transurban and our project partner Fluor directed our contractors to design the operations centre to be LEED certified. LEED—which stands for Leadership in Energy and Environmental Design—is an internationally recognised green building certification system. The centre will be reviewed for LEED certification once completed.

The project is expected to deliver long-term savings in water consumption (35 per cent) and energy consumption (16 per cent). It is also expected to recycle construction debris (75 per cent) and use materials that have recycled content (20 per cent). Additionally, many of the materials selected—such as paint, carpet, adhesives and sealants—are expected to provide a cleaner

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4 This was previously incorrectly reported as a reduction target. This has been changed to a savings target to better reflect the intention of the target.

5 The baseline is the average GHG emissions from 2000-2005.

6 Compared to baselines set by the American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) http://www.ashrae.org/
interior environment by reducing and, in some cases, eliminating offgassing (the release of chemicals into the air through evaporation).

**WASTE REDUCTION**

During FY11 we worked with our maintenance contractors on CityLink to install longer life lighting in the Domain Tunnel. This has reduced the quantity of fluorescent globes sent to landfill by approximately 50 per cent. In FY12 we will assess the feasibility of installing longer life lighting in CityLink’s Burnley Tunnel through validating the success of its installation in the Domain Tunnel.

In FY12 we plan to work with the maintenance contractors to develop a Waste Strategy aimed at improving our waste processes on CityLink. A similar strategy is planned for Hills M2 as part of the finalisation of their Environmental Management Plan in FY12.

The Hills M2 Upgrade project team has two mobile crushing plants in operation to process excavated sandstone and demolished concrete into graded material for incorporation into the permanent works. The recycled material is ideal for backfill for retaining walls and as a foundation layer for the new pavement.

**WATER USE**

We are working to reduce our water use across our assets and projects, and we have a number of mechanisms in place to help us do this. This includes a water treatment plant that captures and recycles the water draining from around the CityLink tunnels. The plant has saved approximately 1.78 billion litres of Melbourne water since it began operation in October 2003.

However, in FY11 our potable water use increased over the previous year on CityLink. The increase was caused by the internal corrosion of the steel pipe used to convey recharge water from the Swan Street groundwater recycling facility to the Southbank Interchange. In May 2010 the Southbank recharge wells had to be temporarily switched from recycled water to potable water—resulting in our increased usage in FY10 and FY11. The pipe was subsequently replaced in August 2010.

In FY11 we conducted a feasibility assessment to consider water recycling opportunities from the M1 Upgrade in Melbourne.

Currently, two water tanks remain under the Bolte Bridge as a legacy from the Westgate Freeway Alliance (WGF), which worked on the Westgate section of the M1 Upgrade. In addition, the WGF and the Southern Link Upgrade Alliance had set up arrangements with the nearby Kraft facility and the Melbourne Sports and Aquatic Centre (MSAC) to utilise their wastewater for reuse during the M1 Upgrade’s construction phase.

Continued use of the water tanks and the recycled wastewater were considered as recycling opportunities.

The assessment concluded that continued use of the water from Kraft and MSAC was not feasible due to water quality issues and the requirement for the water to be trucked to location for use, which raises GHG emission concerns.

We looked at the possibility of relocating the water tanks from beneath the Bolte Bridge. But given the high capital costs and the current low cost of potable water, this option is not cost effective.

**AIR QUALITY**

In FY11 we engaged sustainability consultants Net Balance Management to complete an assessment of in-tunnel air quality across Transurban assets with tunnels—CityLink, Hills M2, Lane Cove Tunnel and Eastern Distributor.

Through the assessment we were aiming to identify appropriate benchmarks for our in-tunnel air quality data to provide us with an increased understanding of our performance.
The assessment highlighted in-tunnel air quality data capture rates we should aim for and gave us a tool to continue our own statistical analysis of the data for benchmarking purposes.

The assessment also recommended we do a comprehensive analysis to determine the balance between electricity used to ventilate the tunnels and maintaining appropriate in-tunnel air quality. We plan to do this work in FY12.

In FY11 a detailed review of the in-tunnel air quality system on the Eastern Distributor was also undertaken by Net Balance Management. The report will be finalised in FY12 and an implementation schedule will be developed for any relevant recommendations resulting from the review.

The Lane Cove Tunnel is ventilated via two stacks, and tunnel air quality is required to comply with limits set by the Planning Minister’s Conditions of Approval, which apply both inside the tunnel and at the stacks.

During FY11 the tunnel exceeded these limits twice for Volatile Organic Compounds (VOCs) from the tunnel stacks. On both occasions a notification of the occurrence and a follow-up audit report were sent to the NSW Roads and Traffic Authority, the Department of Planning and the EPA. For the first occurrence, systems were checked and audited, and no specific cause or operational processes were identified to prevent future similar events. The second occurrence was confirmed as instrument error.

DUST MANAGEMENT
The Hills M2 Upgrade is using a range of dust suppression measures to minimise potential health, pollution and safety impacts on the neighbouring community, road construction workers and motorists.

The project team has employed some innovative approaches to dust management, including modifying milling equipment to reduce dust by installing spray heads directly on the milling head. More common dust mitigation measures are also being used on the project.

Construction workers are advised on how to identify dust impacts and how to modify operations where possible to minimise these impacts. Wind speed and direction are also monitored via two dedicated weather stations and work is stopped when excessive wind conditions prevail.

In FY11 we engaged an acoustic consultant to undertake noise monitoring at four properties located adjacent to CityLink’s Southern Link following complaints and a first round of monitoring in 2009. This monitoring was done following completion of the Southern Link Upgrade (SLU).

Noise levels at all four properties were found to meet CityLink’s concession deed requirements, although one property was at the noise limit of 63dB(A). However our consultant advised that noise from MacRobertson’s Bridge and Yarra Boulevard was heavily contributing to the noise levels at this property. The review therefore concluded that noise levels in our concession deed are still being met post-completion of the SLU.

In FY11 we completed noise modelling for CityLink’s Western Link. When the modelling was completed, two locations were identified where noise levels may be close to our concession deed requirements. CityLink is committed to pavement resurfacing in these areas in FY12. This is expected to reduce noise levels to below the concession deed requirements, although in the longer term additional noise treatment will be required. We will carry out ongoing monitoring at these locations to ensure compliance beyond FY12.
In FY11, the safety of our workforce continued to be our highest priority and therefore a major focus of our efforts in this reporting area. In the past year we also proactively addressed workplace issues such as diversity and equity, and faced some challenges due to structural changes in our business.

### Employee Safety

Our mission is to ensure all employees, contractors and visitors are free from harm while working and return home safely at the end of each day.

To help ensure that happens, we have undertaken a number of safety initiatives in the past year. These include:

- **AS4801 Certification** — We achieved this Occupational Health & Safety (OHS) Management system certification in October 2010 with no non-compliances. This process has helped strengthen our safety culture at Transurban, integrating safety into every part of our business operations and activities. We have also introduced safety performance measures as a result of the certification.

- **Health and Safety Planning** — A three-year health and safety project management plan (2010-2013) was endorsed by our Senior Work Health and Safety Group this year. The plan specifies milestones and responsibilities for the ongoing management of AS4801, continuous improvement methods and performance criteria. Our Senior Work Health and Safety Group monitors the plan on a regular basis.

- **Charters for OHS Groups** — In our offices, we have a number of forums for health and safety issues, including our Senior Work Health and Safety Group. These groups meet regularly and share information. In FY11, we reviewed the roles of these groups and streamlined the process of reporting from the various consultative committees to senior management.

- **Communication on Health and Safety** — Safety information is regularly communicated to employees through formal training programs, team meetings, quarterly business updates, our internal e-newsletter and notice boards.

### OHS KPIs

In FY11 our Executive Committee had Key Performance Indicators (KPIs) to meet related to leadership on safety. These KPIs included achievement of AS4801 certification and further reducing our Lost Time Injury Frequency Rate (LTIFR). In FY12 related OHS KPIs have been built into the performance planning and review process for all employees across the business.

- **Policy** — We revised this policy to emphasise that all employees and people we interact with have a right to work safely and are required to consider safety in everything they do.

- **Plan** — These plans were developed and implemented for high risk areas of the business and for newly acquired assets and/or facilities. The action plans—which identify safety improvements and timing for completion—are reviewed on a quarterly basis.

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- **Communication on Health and Safety** — Safety information is regularly communicated to employees through formal training programs, team meetings, quarterly business updates, our internal e-newsletter and notice boards.

We continued to reduce the LTIFR of our Australian employees this year. At 30 June 2011, the cumulative LTIFR 12-month rolling average was 1.17. This result represents a 68 per cent reduction in the LTIFR compared to FY10 and an 84 per cent reduction since we started measuring LTIFR in FY08.

Transurban’s WHS KPI for the LTIFR in FY11 included three targets:

- **Minimum Target** = no more than FY10 (3.64)
- **On Target** = 25 per cent less than FY10 (2.73), and
- **Outperform Target** = 50 per cent less than FY10 (1.82).

In FY11 we achieved the outperform target.

In the US, we report on incidence rate. The incidence rate in the US in the 12 months to 30 June 2011 was 0.00.

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7 Transurban has adopted the Lost Time Injury Frequency Rate (LTIFR) method, which is defined as the number of lost-time occurrences in period / number of hours worked in period * 1,000,000, shown over a 12 month period on a rolling basis. A lost time injury is ‘any injury which has caused a person to be absent from work for at least one scheduled day or shift, following the day or shift the injury had occurred’. Hours worked includes Transurban’s Australian full-time and part-time permanent and fixed term employees. It excludes US employees, Directors and contractors.

8 Incidence rate = [total number of lost time injuries X 200,000]/ number of hours worked.
**Employees**

**Workforce Commitment**

In FY11 employee absenteeism increased by approximately one day per employee, as indicated in the Occupational Health and Safety table. Our average of 7.16 days per employee is still below the industry benchmark of 7.7 days. However we are aiming to reduce our absenteeism further and will continue to implement our Attendance Management Framework, which had a positive impact on our FY10 results.

We will also monitor this metric in FY12 to see whether an increase in flexible work arrangements—including the purchase of additional leave—will help employees with their work/life balance, and potentially have a positive impact on absenteeism.

Employee turnover increased by 2 per cent to 13.4 per cent in FY11 (see Employee Turnover table). As the Analysis of Employee Turnover by Age table shows, the age composition of leavers has changed, with an increase in the portion of employees within the 26-30 and 51+ age categories departing. We are now rolling out strategies to address specific reasons for employees leaving. In particular, we are identifying and promoting development opportunities for employees as one step towards addressing those leaving to advance their careers.

In addition, we will continue to promote flexible work arrangements as an option for the 51+ group as the majority have indicated they were leaving for travel and personal reasons.

There has been a significant change in the gender balance of leavers in FY11, with the proportion of women increasing by approximately 15 per cent since FY10.

The most common reasons women cited for leaving Transurban were ‘a new job opportunity’ or ‘limited opportunities at Transurban’, followed by ‘travel’. In FY12 we aim to address this issue by promoting development opportunities and our commitment to diversity in the workplace.

**Gender Diversity and Pay Equity**

In FY11 Transurban’s diversity objectives were focussed on gender.

We have identified the need to improve the gender balance on the Board and in the senior management group in particular, and we have implemented specific gender objectives at these levels.

Over the past 12 months Transurban has implemented additional initiatives related to diversity and pay equity:

→ Diversity policy—We introduced this to the business in FY11. The policy recognises that our workforce is made up of individuals with diverse skills, values, backgrounds, experiences and needs. It requires the board to establish measurable objectives in relation to gender diversity, which will be reported on in annual reports.

→ Workplace flexibility—We continued to promote flexible work arrangements and we introduced our ‘purchasing additional leave’ policy.

→ Remuneration—We began using the Hay job evaluation methodology9 to align the remuneration of senior leaders to the market. We are currently working on remuneration structures that will help facilitate further gender pay equity reviews within lower levels of the organisation.

→ Women in Leadership program—We launched this program in our Australian business to support the development of women in the business and improve the proportion of women in executive positions in the future. At 30 June 2011, 22 women had participated in the program.

**Women in Leadership**

![Women in Leadership chart](chart)

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
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<tr>
<td>06-07</td>
<td>6%</td>
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<td>07-08</td>
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<td>08-09</td>
<td>22%</td>
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<tr>
<td>09-10</td>
<td>26%</td>
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<tr>
<td>10-11</td>
<td>29%</td>
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</table>

9 Hay Job Evaluation is a methodology used to map out job roles in the context of the organisational structure. The general purpose for carrying out job evaluations using this or similar methods is to enable organisations to map all their roles in a manner that (i) recognises equivalent levels for the purposes of salary and benefit grading/banding (ii) improves succession planning, and (iii) assists in the creation of more useful and focussed job descriptions.
Our FY11 data shows that women occupy 29 per cent of leadership positions within the senior executive and senior management levels.

In FY12 our diversity objectives will impact on recruitment processes and practices and we are aiming to further improve gender diversity at the manager, professional / technical and supervisor / team leader levels.

The average remuneration ratio at the senior executive level has changed from 32:68 (female: male) in FY10 to 39:61 in FY11. The implementation of the Hay Job Evaluation methodology at this level has ensured remuneration both at the time of recruitment and at the time of review is aligned to the market.

In FY12 this methodology will be cascaded through the remaining management levels of the business.

As indicated in the Composition of Governance Bodies by Gender table, a gender imbalance remains within these groups. Our FY12 commitments include a diversity objective to increase the representation of women at this level.

**FLEXIBLE WORK ARRANGEMENTS**

Employees have a range of work/life responsibilities they need to manage, and we recognise that some may need to change their work schedule or location to do this.

We support flexible work arrangements such as flexible hours, part-time work, job-share arrangements, working from home, phased retirement and purchased leave. These allow employees to balance their commitments and, hopefully, have a more satisfying experience at work.

At 30 June 2011, 38 per cent of our employees were working under a flexible arrangement.

In FY11 we launched a new program enabling employees to purchase additional leave of between one and four weeks. The take up rate for this program in its first year was 7.1 per cent, and it will be offered again in October 2011.

In FY12, we anticipate further changes in our business as a result of the introduction of a next-generation tolling and customer management system.

In anticipation of the system’s impact on the business, Transurban has had a flexible workforce in place to meet our changing needs during the development and rollout of the system. As indicated in the Total Workforce by Employment Type table, the percentage of the workforce employed under fixed term and contractor arrangements has increased slightly as a result of this strategy.

While we cannot guarantee there will be no redundancies due to the system’s introduction, we are not expecting a significant reduction in our permanent operations workforce. Instead, we anticipate some natural attrition in addition to the departure of workers on the project who are under fixed term or contractor arrangements.
LEARNING AND DEVELOPMENT

In 2010 we started a ‘Manager Essentials’ program to support the ongoing development of our management. Our decision to focus on this group of employees is reflected in the Average Hours of Training per Employee by Employee Category table, which shows a significant increase in the average hours of training received by employees at the executive and management level.

The first three modules of the Manager Essentials program have been delivered in both Australia and the US, with the additional modules to be offered in FY12.

The FY11 program covered:
→ Development and career conversations
→ Effective working relationships, and
→ Leading teams.

The FY12 program will address:
→ Recruitment and selection
→ Performance improvement
→ Coaching and feedback, and
→ Leading teams.

Related programs have also been offered to the broader employee group. This will help ensure we have a common approach to employee–manager relationships. Under the ‘Employee Essentials’ program we offered courses on ‘Taking charge of your career’ and ‘Effective working relationships’ this year. Further employee courses will be provided in FY12.

In FY11 and into the current financial year, Transurban has been reviewing and improving our approach to ‘talent management’, which includes the identification of ‘high potential’ and ‘high performing’ people and their development needs.

During FY11, the talent identification process was expanded to include the whole organisation.

In FY12, we will be focusing on the development of employees and their opportunities to expand their skills through formal education and experiences within the wider business. This work aligns with our 70/20/10 approach to development (70 per cent on the job, 20 per cent through coaching or mentoring, and 10 per cent through education).

CODE OF CONDUCT

As indicated in the Breaches of Code of Conduct table, there was a decrease in the number of incidents in our business since FY10. The overall figure is still higher than we would like, and a reduction in these incidents remains a focus for us.

Our analysis of the incidents revealed that more than half were related to Equal Employment Opportunity (EEO). In FY12 we will focus intensively on this, rolling out targeted EEO education to all employees and managers.

To support this, we will continue to emphasise the importance of diversity in our business during the ‘Manager Essentials’ program, particularly in the sessions covering performance improvement, coaching and feedback.
In Transurban’s Sustainability Framework, the “Marketplace” pillar covers our key external stakeholders. This includes our customers, suppliers, contactors and joint venture partners, government, industry and investors.

**CUSTOMER SAFETY ON OUR ROADS**

Safety remains the highest priority at Transurban. It is one of the key areas of our business framework and is central to everything we do.

We regularly track safety performance on our majority-owned assets to identify trends and areas for improvement.

While we are committed to continuous improvement of our safety systems and practices, unfortunately there were two fatalities on CityLink in FY11. One involved a collision between a car and truck on 20 September, the other involving a truck and a motorbike on 20 October. On other roads that we manage—the Eastern Distributor, Lane Cove Tunnel, Hills M2 and Pocahontas 895—we had no fatalities during the reporting period.

**M1-CITYLINK UPGRADE**

In October 2010 the fourth inbound lane on CityLink’s Southern Link opened, completing major works on our road as part of the $1.39 billion Monash-CityLink-Westgate Upgrade project.

A joint project between CityLink and the Victorian Government, the upgrade included extra lanes in both directions, new interchanges and a sophisticated freeway management system to monitor and improve traffic flow.

An upgrade of this scale has meant significant changes in the driving experience for motorists travelling in the corridor and a rise in the number of collisions would not have been unexpected.

Along with the State Government, we undertook a number of initiatives including a “virtual-drive” tool to educate and inform motorists about the changes they could expect along the corridor. See Community education (Community)

We maintain a collision index that shows the number of collisions on a three-year rolling average. This information reflects collisions that occurred during the upgrade’s construction period when temporary traffic management measures were in place and motorists were adapting to new road conditions.

The collision index shows that the overall number of collisions has risen. However, those collisions have been less severe, with fewer resulting in injuries.

The continued downward trend in the severity of collisions can be attributed to reduced speed limits during construction and our new freeway management system, which allows us to communicate immediately with motorists when any incident occurs.

Since the upgrade was completed we have seen an improvement in safety on CityLink’s Southern Link, with a reduction in the number of accidents per month.

However, in some other areas of CityLink we have seen more nose-to-tail collisions, and in FY12 the CityLink team will continue to identify improvements to address this issue.

The new freeway management system has highlighted the need to increase driver education. In FY12, we will work with Victoria Police and other emergency services on a program designed to encourage safer driving behaviours.

**SAFETY DURING THE HILLS M2 UPGRADE**

Construction on the Hills M2 Upgrade started in January 2011 to create extra lanes along 14.5kms of the motorway, additional ramps and widen the tunnel.

The upgrade work has meant major changes to the way drivers experience travel on the motorway, with substantial traffic management in place.

A number of initiatives, including speed reductions and roadside messages, have also been undertaken to ensure the safety of motorists and contractors during construction.

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**MARKETPLACE**

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**TRANSURBAN’S COLLISION INDEXES – CITYLINK*, HILLS M2 AND EASTERN DISTRIBUTOR**

- A three-year rolling average is used given the variability in collision occurrences.
- A two-year rolling average is used. Our aim is to report a three-year rolling average in the future when we have a longer history of collision data.

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**LANE COVE TUNNEL’S COLLISION INDEX**

**ALL COLLISIONS PER 100 MILLION KILOMETRES**

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As Transurban acquired the Lane Cove Tunnel in August 2010, this is the first year of reporting the collision index. Our aim is to report a rolling average in the future when we have a longer history of collision data for the Lane Cove Tunnel.

* Collision data based on collisions occurring within the tunnel only.

* Transurban acquired the Lane Cove Tunnel August 2010.
We are also conducting a major education and communications campaign including radio and newspaper advertisements, website updates and brochures to inform motorists about the changed traffic conditions and roadwork safety.

Additional surveillance and response vehicles have been stationed along the motorway to help minimize response times should any incidents occur.

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**CURBING DISTRACTED DRIVING**

Our major safety campaign “Orange Cones. No Phones.” was expanded this financial year to reinforce the message about safe driving in the I-495/Capital Beltway construction zone in Virginia, US.

Every day more than 200,000 vehicles travel through the construction zone, navigating constrained and shifting lanes, new traffic patterns and dynamic traffic conditions. Work is more than 70 per cent complete on the 23 kilometres/14 miles of High Occupancy Toll (HOT) lanes on the Beltway.

In 2009 Transurban and its construction partner Fluor teamed with AAA Mid-Atlantic to launch the “Orange Cones. No Phones.” campaign, which aims to keep both drivers and workers safe along the construction zone.

The program was implemented with the support of key local stakeholders, including Virginia Department of Transportation (VDOT), Federal Highway Administration, Fairfax County Board of Supervisors, Virginia State Police and Fairfax County Police.

In September 2010, Transurban interviewed 1,013 Beltway drivers to gauge their views on distracted driving and the “Orange Cones. No Phones.” campaign.

Nearly three-quarters of respondents were aware of news stories detailing the dangers of distracted driving.

Despite this awareness, 55 per cent of Beltway drivers said they still used their cell phones while driving, and their usage over the past year had increased in three out of four methods (including texting while driving).

The study also found that employees posed the most significant risk, with about half of the drivers indicating they were responding to work-related issues while on the road.

To address the increasing problem, Transurban and its partners developed new approaches to expand the “Orange Cones. No Phones.” program. These included an Employer Safety Challenge, High School Safety Challenge and national e-Toolkit.

To date, more than 110 businesses have signed up for the Employer Safety Pledge, impacting 100,000 employees, while the High School Safety Challenge has created a unique opportunity to spread the message to students by asking them to design an “Orange Cones. No Phones.” marketing strategy with the incentive of a $5000 prize to implement their campaign.

The “Orange Cones. No Phones.” e-Toolkit was created for departments of transportation and their project partners to develop their own campaigns. Transurban-Fluor worked with American Association of State Highway and Transportation Officials and VDOT to create and distribute the e-toolkit, which includes materials to launch, promote, and sustain an “Orange Cones. No Phones.” campaign. The e-toolkit provides a cost-effective way to generate awareness of the dangers of distracted driving. The e-Toolkit has attracted more than 5,000 unique visitors online and, in its first few weeks, six jurisdictions in the US and Canada registered for the toolkit.

**CONTRACTOR SAFETY**

Transurban works closely with our contractors to manage health and safety risks and prevent injuries.

In FY11 we implemented a contractor pre-qualification system to ensure that our contractors have adequate health and safety risk management in place. We also established a formal Contractor Working Group, which meets weekly and provides status reports to Transurban’s Senior Work Health and Safety Group.

<table>
<thead>
<tr>
<th>PROJECT</th>
<th>FY11 MAN HOURS</th>
<th>LOST TIME INJURIES</th>
<th>LTIFR*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Beltway</td>
<td>2,519,421</td>
<td>1</td>
<td>0.40</td>
</tr>
<tr>
<td>Southern Link Upgrade (MCW)</td>
<td>243,780</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>Hills M2 Upgrade</td>
<td>595,000</td>
<td>1</td>
<td>1.68</td>
</tr>
<tr>
<td>Richmond Airport Connector</td>
<td>62,783</td>
<td>0</td>
<td>0.59</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,420,984</strong></td>
<td><strong>2</strong></td>
<td><strong>0.59</strong></td>
</tr>
</tbody>
</table>

* LTIFR—Lost Time Injury Frequency Rate (per million hours worked)
In FY11, we recorded three million project hours on our construction sites—Capital Beltway HOT lanes in Virginia, the Southern Link Upgrade on CityLink, Hills M2 Upgrade in Sydney and the Richmond Airport Connector in Virginia.

Across all projects, we recorded two lost-time injuries, which equates to a Lost Time Injury Frequency Rate (LTIFR) of 0.59, which rates among the best in the industry.

November 2010 marked the completion of widening on CityLink’s Southern Link Upgrade. Since the project’s start in July 2001, we have recorded 1,033,981 man hours without a lost-time injury.

Our Richmond Airport Connector project in Virginia was completed in January, marking 942 days—or 169,000 hours—of construction without any lost-time injury.

**CUSTOMER SERVICE**

Transurban has three customer tolling brands—CityLink in Victoria, and Roam and Roam Express in New South Wales.

All three tolling brands set customer service targets and report their results every six months on their websites.

In FY11, all three brands met or exceeded their customer service targets. The targets included call response times and issue resolution.

For full-year customer scorecard results visit www.transurban.com/sr11/scorecards.htm


**CALL CENTRE OPERATIONS**

In early 2010 Transurban went to market to select a supplier for our call centre operations given the end of the contract with our current operator, Salmat, was approaching.

As part of our commitment to exploring ways to continuously improve the efficiency of our business, we asked tenderers to include an offshore call centre component.

Transurban is a signatory to the UN Global Compact so tenderers were also asked to provide an overview of how their business practices support the Global Compact’s 10 principles including its commitment to protecting human rights, labour, environment and anti-corruption.

Salmat was the successful tenderer for the operation.

In 2010 Transurban’s Board and Executive Committee approved a six-month trial to transfer some of our NSW-related customer calls to Manila in the Philippines.

The trial, which started in August, gave us an opportunity to thoroughly test Salmat’s offshore call centre capabilities and ensure they met the same high customer service standards and Key Performance Indicators (KPIs) that apply in Australia.

Several Transurban employees visited the Manila site to provide training and management while the Manila-based team leaders visited our Sydney call centre.

The trial showed positive results, with all KPIs including customer service levels achieved or exceeded. In a survey of 700 customers, the Manila centre achieved similar customer satisfaction results to the Australian operations.

Following the success of the trial, in March 2011, the Board approved an extension of the number of NSW-related calls being handled in Manila.

**POCAHONTAS CUSTOMER COMMUNICATION**

Our team at Pocahontas 895 worked on further measures to improve customer service during FY11. Particular attention was paid to informing customers about our tolling violation procedures and our ongoing conversion to cashless tolling.

**IMPROVING OUR SYSTEMS**

We are currently working on a next-generation tolling and customer management system, which we expect to implement on CityLink in FY12.

The new system, which will support current and future tolling and asset operations, is expected to improve the customer experience by providing greater customer self service capabilities via the ability to view and receive statements online and automate account and product sign up.

The project has run over time and budget; however, we are now in the last stages of user-acceptance testing and working through final issues before triggering the “go-live” sequence.

**WORKING WITH GOVERNMENT**

Strong partnerships with government are the foundation of our business. In all our markets, we have relationships with state governments at both a political and bureaucratic level.

We are working with governments in Australia and the US on several projects that aim to ease congestion on existing roads.

**NSW**

In October 2011 we reached agreement with the NSW Government for a major upgrade of the Hills M2 motorway in Sydney.

The Minister for Planning also approved the project under Part 3A of the Environmental Planning and Assessment Act 1979 (EP&A Act) and is subject to a range of Conditions of Approval relating to the management of environmental, construction, traffic, cyclist and noise impacts.

The Hills M2 Upgrade is just one of many projects identified in the NSW Government’s Metropolitan Strategy [reviewed March 2010] and the Metropolitan Transport Plan—Connecting the City of Cities [March 2010] to improve the efficiency of Sydney’s transport network.
These projects will contribute to achieving sustainable economic, social and environmental outcomes for Sydney into the future.

We are also continuing our discussions with the NSW Government on the proposal to widen Sydney’s M5 motorway. The NSW Government, which was elected in March 2011, has requested an independent review of negotiating material and we now await results of that analysis.

We believe the project remains a priority for the NSW Government and we are ready and waiting to engage on final commercial terms subject to the independent review concluding.

We believe the upgrade would provide a much-needed respite for motorists on the M5 and we will endeavour to progress the project as fast as possible.

**I-95 HOT LANES PROJECT**

We are working with governments in Australia and the US on several projects that aim to ease congestion on existing roads.

Transurban, with our consortium partner, Fluor, is in an exclusive negotiating position with the Commonwealth of Virginia to develop HOT lanes along a section of I-95 in the US.

The Commonwealth is currently working through a revised environmental review process based on changes to the project’s scope, which were announced in February 2011.

The project will provide travellers improved access to major destinations and includes added capacity, enhanced operations and enforcement.

I-95/395 is the key traffic route south of Washington, DC, and the second leg of a planned Virginia HOT lanes network. It links directly into the Capital Beltway HOT lanes already under development.

**ADVOCACY/LOBBYING**

In the US, lobbying at the state level included successful advocacy and education around increased transportation funding and the development of a state infrastructure bank. Both outcomes provide potential options that could aid the financing of our I-95 HOT lanes project.

In addition, lobbying efforts helped secure enhanced enforcement options for Pocahontas 895 and defeat proposals that would have put new restrictions on operating HOT lanes, such as imposing stricter minimum speed requirements.

At the federal level, we advocated for increased funding for the Transportation Infrastructure Finance and Innovation Act (TIFIA), which provides low-cost credit assistance to major transportation projects and improved flexibility to advance opportunities for public-private partnerships and tolling in the US.

In Australia, we have responded to Federal Government Discussion Papers including the National Land Freight Strategy and ASIC’s consultation paper on disclosure regulations for infrastructure entities. In August 2011, we also submitted a response to Infrastructure Australia’s consultation on Infrastructure Finance Reform.

**POLITICAL DONATIONS**

Strong partnerships with government are the foundation of our business. In all our markets, we have relationships with local and state governments at both a political and a bureaucratic level.

We support the democratic process through political contributions in the communities we serve.

We have separate political donations policies for Australia and the US in line with jurisdictional laws and we report our contributions accordingly.

In line with our Political Donations Policy, we do not make donations, either directly or via fundraising organisations.

We do participate in public policy debate on issues that may impact our business and payment for employees’ attendance at political fundraising functions is permitted.

In Australia, Transurban paid A$29,873 to attend political fundraising events during the year. In the US, we paid a total of US$55,000 for such events in FY11.

**INDUSTRY INVOLVEMENT**

In Australia we continue to be involved with transport industry groups including Infrastructure Partnerships Australia where our CEO Chris Lynch is a board member; Tourism and Transport Forum; Roads Australia; ITS [Intelligent Transport Systems] Australia and the Committee for Economic Development of Australia.

In FY11 we joined the Australian Green Infrastructure Council (AGIC). In early FY12 we applied for CityLink to participate in the pilot trial of the Council’s Infrastructure Sustainability Rating Tool. We have subsequently been chosen to participate. We will report on the outcomes of that trial in next year’s report.

In the US, we belong to a number of industry bodies including American Road and Transportation Builders Association; International Bridge, Tunnel and Turnpike Association; Association for Management and Operation of Transportation Infrastructure Assets; Women’s Transportation Society; and Intelligent Transportation Society of Virginia.
Transurban undertook a comprehensive review of our executive remuneration framework after security holders voted against the FY10 Remuneration Report at the 2010 Annual General Meeting (AGM).

Security holder feedback was largely about the way executive remuneration was structured and measured and did not reflect concern about the performance of the Group or the management team.

As a result of this feedback, the Board’s Remuneration Committee engaged independent advisers Ernst & Young to undertake a major review of the remuneration framework for senior executives and senior managers. Investors’ feedback, market practices and regulatory developments were all considered as part of the review.

In March 2011, the Board approved a new remuneration framework effective 1 July 2011. There are comprehensive changes to the framework, which aim to better align remuneration for senior executives with security holder return.

Investors’ main concerns about the previous framework were largely about the measures used to determine Long Term Incentives (LTI), and certain vesting arrangements related to the LTIs. They also had concerns about the lack of deferral of Short Term Incentives (STI).

The new remuneration framework addresses each of these concerns:

- The performance measures for the LTI plan have been changed to relative Total Shareholder Return and Free Cash Flow (rather than proportional EBITDA)
- A deferred element has been introduced into the STI plan, and
- LTIs no longer automatically vest on a change of control.

For a full overview of the changes that have been made in response to security holder feedback, please see our Remuneration Report.

The CEO’s proposed LTI grant was put to a security holder vote at the 2010 AGM for the first time. The Board decided to take this step in the interests of good corporate governance. This resolution was not supported by security holders, we understand, as a more general reaction to investor concerns with the broader remuneration framework.

In FY11, our Board renewal process continued.

In August 2010 Lindsay Maxsted was appointed Board Chairman after the resignation of David Ryan. Mr Maxsted joined the Board on 1 March 2008 and had served as Chairman of the Audit and Risk Committee, a member of the Nomination Committee and a member of the Sustainability Committee.

Professor Bob Officer also joined the Board in August 2010 as a non-executive director and nominee director of CP2 Limited. CP2 is Transurban’s largest security holder with over 12 per cent of Transurban’s issued capital.

In December 2010 Sam Mostyn joined the Board as an independent non-executive director. Ms Mostyn has more than 15 years experience in senior management roles, including Director of the Institute for Sustainable Solutions at the University of Sydney. Ms Mostyn’s appointment was a positive step towards improving our Board diversity.
Transurban is committed to establishing and maintaining connections with the communities in which we operate.

In our FY10 report, we indicated we were aiming to improve the way we capture and quantify our community investment. To that end, in FY11 we joined the London Benchmarking Group (LBG), which has an internationally recognised method for measuring, benchmarking and reporting a company’s community contributions and achievements.

Our involvement with LBG has helped us more accurately measure our contributions to communities through donations, sponsorships, in-kind support, management costs and volunteering. In FY11 this total figure was $750,000.

COMMUNITY INVESTMENT

CITYLINK SUPPORTS SIXTH RUN FOR THE KIDS

For the past six years, our Melbourne asset, CityLink, has partnered with the Herald Sun—the city’s largest daily newspaper—to sponsor the Run for the Kids. The event is the biggest fun run on the city’s calendar and supports the Royal Children’s Hospital.

This year’s event on 17 April 2011 drew about 33,000 people. A total of 366 people associated with Transurban were involved in the event either as runners, walkers or volunteers—up more than 100 from the prior year.

The event raised $1.4 million for the Royal Children’s Hospital.

TRANSURBAN CONtributes TO Flood Appeals

In mid-FY11, Victoria and Queensland were both affected by catastrophic floods, which had devastating impacts on many communities in both states.

In response to the crisis, Transurban employees raised $11,395 for flood appeals. The company matched that figure and distributed the total amount equally between the states. In addition, Transurban made company donations of $250,000 to each state for relief efforts.

CAPITAL BELTWAY COMMUNITY GRANT PROGRAM

The Capital Beltway Community Grant Program offers grants of up to US$5,000 for not-for-profit organisations along the Beltway HOT lanes corridor. On average, between five and ten grants are awarded each quarter.

The program has delivered more than 50 grants since it began, with 31 awarded in FY11 amounting to US$89,500.

Transurban employees and representatives spent 50 hours volunteering for activities funded by the grant program during the year.

Transurban and its project partner Fluor continue to prioritise projects and organisations that are located within the HOT lanes corridor and are directly affected by the development.

Examples of grant recipients from FY11 include:

→ George Marshall High School Green Service Learning and Leadership Program

George Marshall High School received a grant for its Green Service program providing students the opportunity to serve in the community to strengthen their sense of civic responsibilities and gain experience in the workforce. Environmental initiatives of the program include development of a carpool ride-share program for staff, a community shred day, provision of green cleaning materials for schools in Fairfax County, and improvements to the school’s community garden.

→ Longfellow Middle School PTA Rainwater Conservation Garden

Longfellow Middle School’s Parent Teacher Association (PTA) used a grant to create a rain garden at the school. The 1/3 acre garden is intended to support the school’s stormwater retention plan through bio-retention and rainwater storage. It is also designed to educate the public and students about the benefits of water conservation, stormwater management and water quality.

→ Fairfax County Rain Barrel Initiative

This grant provided funding for instructions and materials for workshops set up to help a handful of communities in Fairfax County construct rain barrels for residential use.

CENTRE FOR SAFER WIRELESS

This program—which involved presentations at a local community college—was aimed at educating young drivers from the Beltway region on the dangers of texting while driving.

For more information, visit the Virginia HOT lanes website [http://virginiahotlanes.com/beltway/project-info/community.php].

BIKE TO WORK DAY

In FY11 Transurban-Fluor partnered with the Washington Area Bicyclist Association to host its second annual Bike to Work Day event. On the day, the Transurban pit stop had the most registered bikers on the popular Washington & Old Dominion Trail during the event. The stop included free bike tune ups and Body Mass Index assessments.

NEIGHBOURHOOD CONNECTIONS

For the fifth year CityLink hosted an Australia Day cleanup site as part of our Neighbourhood Connections program. More than 300 locals turned up to volunteer with Transurban staff to collect 172 bags of rubbish from the parks and ovals near Moonee Ponds Creek in Melbourne.

RIDE FOR HOME

Transurban entered a team of cyclists in the ‘Hanover ConnectEast Ride for Home’ event on Melbourne’s EastLink toll road in November 2010. The ride was designed to increase awareness of issues surrounding homelessness and to raise funds for Hanover’s housing, support services and research work. Along with Transurban’s matching amount, our team raised $3,884 for this cause.
COMMUNITY EDUCATION

Safety on our roads—and in our offices—is our first priority. Promoting customer health and safety was a focus for us this year through an annual Community Safety Day in Melbourne and our “Orange Cones. No Phones.” campaign on the Capital Beltway HOT lanes in Virginia, US.

WORKING WITH EMERGENCY SERVICES TO PROMOTE PUBLIC SAFETY

CityLink, along with Victoria’s government and voluntary emergency services, participated in the 2010 Community Safety Day in Melbourne on 24 October 2010. The annual event is designed to attract families, demonstrating to all ages the role these services play in public safety and the importance of safety overall. It was the second year we have been involved.

This year CityLink focused on driver safety, which we demonstrated through an educational, remote-controlled car game for kids and through information flyers distributed at the event. A CityLink incident response vehicle was also on the scene for the community to explore.

The event, organised by Victoria Police, was also an important opportunity for us to remind motorists of the need to obey the new signs associated with the M1 Upgrade’s Freeway Management System and share information about how to keep cars ‘freeway fit’.

In addition, Safety Day helps us maintain our close relationship with the emergency services, which we rely on almost every day.

Distracted Driving Study and Program

Our signature safety campaign “Orange Cones. No Phones.” was expanded this financial year.

We interviewed 1,013 Beltway drivers to gauge their views on distracted driving, and deployed new techniques to enlarge the program, including the Employer Safety Challenge, High School Safety Challenge, and national e-toolkit.

These new approaches and expanded “Orange Cones. No Phones.” program are helping us to spread the safe-driving message further and keep our area roads safer.

For more detail, please the Customer Safety / Marketplace section of this report.

Pocahontas 895 History

As part of the Airport Connector project associated with our Pocahontas 895 asset in Virginia, we created a new webpage chronicling the history of Eastern Henrico County, from colonisation and Native Americans through the agricultural and industrial era, and finally to the area’s slave history and the Civil War. The site can be found at www.pocahontas895.com.

The project also included construction of a pull-off area alongside the new road with historical markers, which became available to the community when the road opened.

Minimising Community Impacts

Hills M2 Upgrade

Transurban is working on a major upgrade of the Hills M2 motorway in Sydney.

In January 2011, when project works started, the Beecroft Road bus ramp was permanently closed to reduce the impact of widening on nearby residents and the natural environment. The removal of the ramp was critical to the establishment of a third lane on the freeway.

Although the Beecroft Road facility was underutilised, some community members did not agree with the ramp’s closure. Others were supportive given the closure avoided construction work in the area of Devlins Creek and Epping Heights Public School and the completed upgrade would ultimately benefit the majority of public transport users in the corridor.

Cyclists have also been affected by the upgrade, with their usual access to the Hills M2’s breakdown lane removed during the two-year construction period. The breakdown lane has been converted into a construction work zone for the project.

Our project team collaborated with cycling groups and state and local government to establish a temporary diversion for the duration of the works. Some members of this group expressed dissatisfaction with the path’s route and suggested an alternative. Where possible, their minor modifications were made to the final design. However, major changes were deemed to be outside the project’s scope.

Every effort is being made to minimise traffic impacts through construction, but we acknowledge the project has prompted some community concern about increased congestion and tolls. We are committed to delivering this project on time in the first half of 2013 and providing the community with a much-improved motorway.
MONASH FREEWAY WORK
The Yarra Trail cycle path was closed in April 2010 during the work on the Monash Freeway to link the Westgate and Southern Link freeways. The trail was originally due to close for five months. However, due to delays caused by asbestos contamination and concern for safety, additional work was done and the trail re-opened in July 2011.

DEVLINS CREEK PROJECT
The three-year Devlins Creek Community and Environment Project in the Hills M2 corridor in Sydney has been extended a further six months to December 2011.

The project, which Hills M2 is undertaking with Hornsby Shire Council, involves bushland restoration in the Devlins Creek area. Given the long-term nature of this work and seasonal factors such as high rainfall, the council recommended extending the project to achieve greater results.

Hills M2 is also working with the council to coordinate planned culvert clearing alongside Cheltenham Oval with work on landscaping the track head in the area. Some works on the Hills M2 Upgrade also will be aligned with planned vegetation maintenance to minimise any vegetation clearing and reduce any disturbance to microbats living in the culvert during winter months.

KEEPING COMMUNITIES INFORMED DURING CONSTRUCTION
Before additional lanes can be constructed on our Capital Beltway HOT lanes project, every bridge crossing the Beltway must be demolished and rebuilt to accommodate the new, wider highway. A total of 58 new bridges are being constructed as part of the project scope.

In FY11, Transurban and our project partners reached a number of major milestones on this bridge construction work. New bridges were completed this year at all the major interchanges along the project alignment.

As soon as a new interchange bridge is completed, work immediately begins on the second-phase bridge work with a new set of challenges and impacts to the travelling public and adjacent communities. These include:

→ Traffic shifted to new bridge and old bridges closed (new traffic pattern)
→ Lane reduction on bridges in many cases (traffic impacts)
→ Demolition of existing bridges at night (noise and multiple lane closures)
→ Construction of new bridges (noise and traffic impacts for steel lifts)

Transurban and its partners have worked with stakeholders near these interchanges to minimise the impacts over the last year. The engagement activities included:

→ 176 public meetings and events
→ 2 targeted direct mail pieces
→ 9,715 hand-delivered notices (via door-to-door outreach)
→ 24,735 automated phone messages
→ 10,725 faxes for major construction events
→ 59,603 emails for major construction events (not including weekly updates)

As a result of this engagement, there were no delays to the project in FY11 because of community or political disruptions.

WORKPLACE GIVING
In FY10 we expanded our workplace giving program, TransGiving, adding three new charity partners to the five organisations that had been with the program since its 2005 start (see FY10 Sustainability Report).

Following the decision to expand the program, in early FY11 we relaunched TransGiving with employees, giving them opportunities to meet our charity partners and either join the program or amend their current donation allocations.

At 30 June 2011 participation in TransGiving was 18 per cent – the same level as the previous year. The industry average for participation in workplace giving programs is 10 per cent, according to the Australian Charities Foundation.

Since TransGiving’s establishment in 2005, our Australian employees have raised more than $219,000 for our charity partners, with Transurban matching these donations.

This year, through the program, 27 employees have been involved in organised volunteering opportunities through our charities. These activities have included Very Special Kids’ ‘Piggy Bank Appeal’ and the Smith Family’s Christmas toy drive.
ENGAGING WITH OUR STAKEHOLDERS

OUR APPROACH

Stakeholder engagement is important to Transurban’s reputation and our long-term sustainability.

As a toll road owner and operator with eight assets in two countries, we have a wide range of stakeholders with a wide range of interests. These interests may create opportunities or risks for our business. Our success in understanding and responding to these interests has the potential to influence our ability to do business, our reputation and, ultimately, our long-term sustainability and total security holder return.

Our business management framework reflects the importance of stakeholder engagement—it shows relationships are one of our seven focus areas. By taking a proactive approach to our relationships, we aim to maximise our operational performance and growth opportunities, minimise our risks and enhance our brand value and reputation.

The Transurban values of honesty, integrity, humility and accountability are applied to all of our engagement activities.

ENGAGEMENT ACTIVITIES IN FY11

In FY11, we developed stakeholder engagement plans in all our markets—New South Wales and Victoria in Australia, and Virginia in the US. These plans align with leading global principles (Accountability’s AA1000 Stakeholder Engagement Standard) and Transurban’s own Stakeholder Engagement Framework.

Our Stakeholder Engagement Framework helps to ensure a consistent approach across all of our markets and business activities. It provides tools, templates and examples to assist with the implementation of stakeholder engagement processes (see the Transurban Stakeholder Engagement Framework for an overview of our approach or the I-95 Stakeholder Engagement Plan for a specific example of a stakeholder engagement plan).

Over the past year we also focused on improving the identification and prioritisation of material issues to our business. The Stakeholder Engagement Framework has a step-by-step process for determining and prioritising these material issues. The process is linked to our Risk Management framework, which helps us identify opportunities and risks stemming from engagement activities (see the US Materiality Register and Prioritised Issues).

The importance of a robust stakeholder engagement approach is heightened during times of increased activity, such as the construction phase of a development project. In FY11, we started work on our newest project, the Hills M2 Upgrade in Sydney.

As a result, comprehensive planning and engagement took place with many stakeholders. More details of this can be found on a dedicated website at www.hillsm2upgrade.com.au.

Transurban "maps" its stakeholders on an annual basis. This mapping occurs as part of the formal business planning process and feeds into the respective corporate and asset stakeholder engagement plans. Mapping also occurs as part of any new project planning process.

A list of our stakeholders, their main issues and our response to those issues can be found in the Key issues and engagement activities in FY11 table.
Transurban participates in and supports the following sustainability-related initiatives:

- Carbon Disclosure Project
- Dow Jones Sustainability Index
- Global Reporting Initiative
- United Nations Global Compact, and
- London Benchmarking Group.

In Australia we are corporate members of the following industry, business, transport and other groups:

- Tourism and Transport Forum
- Infrastructure Partnerships Australia
- Roads Australia
- ITS [Intelligent Transport Systems] Australia
- Committee for Economic Development of Australia, and
- Sydney First / Sydney Chamber of Commerce.

In the US we are members of the following industry, business, transport and other groups:

- American Road and Transportation Builders Association
- International Bridge, Tunnel and Turnpike Association
- Association for Management and Operation of Transportation Infrastructure Assets
- Intelligent Transportation Society of Virginia
- Dulles Area Transportation Association
- National Council of State Legislatures
- Jefferson Davis Association
- Better Business Bureau of Central Virginia
- Fairfax County Chamber of Commerce
- Greater Springfield Chamber of Commerce
- Prince William Regional Chamber of Commerce
- Greater Richmond Chamber of Commerce
- Chesterfield County Chamber of Commerce
- Eastern Henrico Business Association
- Greater Washington Board of Trade
- Quantico/Belvoir Regional Business Alliance
- Northern Virginia Transportation Alliance
- American Legislative Exchange Council
- Young Professionals in Transportation
- Metropolitan Washington Road and Transportation Builders Association
- Tysons Transportation Association
- Women’s Transportation Society, and
- The Reason Foundation.
## Key Issues and Engagement Activities in FY11

<table>
<thead>
<tr>
<th>Issue</th>
<th>Stakeholder</th>
<th>Key Engagement Activities in FY11</th>
<th>Frequency of Engagement</th>
</tr>
</thead>
</table>
| Congestion and traffic management | Customers, Government, Alliance partners/Contractors | ➔ Working with government and partners on upgrade projects to reduce congestion on existing freeways including Hills M2 and the Capital Beltway  
 ➔ Communicated regularly with communities and motorists via on-road Variable Message Signs, direct mail, meetings and websites to help deliver a safe, efficient travel environment during construction activities  
 ➔ Completed Southern Link Upgrade project in Melbourne which includes state-of-the-art freeway management system | As needed, Ongoing, As needed |
| Road safety and emergency response | Customers, Industry, Contractors | ➔ Expanded our “Orange Cones. No Phones.” anti-distracted driving campaign on the Capital Beltway HOT lanes  
 ➔ Partnered with government and voluntary emergency services in Victoria to raise public-safety awareness at annual Community Safety Day  
 ➔ Conducted an Hills M2 Upgrade education and communications campaign—including radio and newspaper ads, website updates and brochures—to inform motorists about changed traffic conditions and roadwork safety  
 ➔ Enhanced safety on Hills M2 with additional surveillance and response vehicles along the motorway during the upgrade | Ongoing, Ad hoc, Ongoing, Ongoing |
| Contributing to communities along our corridors | Communities | ➔ Co-sponsored Run for Kids event in Melbourne for sixth year in a row, helping to raise A$1.4 million for Royal Children’s Hospital  
 ➔ Provided annual grants of up to US$5,000 to non-profit groups in communities affected by construction under the Capital Beltway Community Grant Program  
 ➔ Developed a program recognising local history as part of the Airport Connector project in Richmond, Virginia  
 ➔ Worked with local communities on projects such as CityLink Neighbourhood Connections (Melbourne) and Devlins Creek Community and Environment Project (Sydney) | Ongoing, As needed, Ad hoc, Ongoing |
| Noise, visual and traffic impacts on local residents during construction | Communities, Government | ➔ Undertook a range of activities—including public meetings and door-to-door outreach—to keep communities informed of our construction progress on the Capital Beltway and Hills M2 Upgrade  
 ➔ Collaborated with cycling groups and government on a temporary cycling route during construction of the Hills M2 Upgrade  
 ➔ Installed temporary noise walls along a section of the Hills M2 to allow construction activities to proceed and to protect local residents  
 ➔ Responded to community noise concerns on the Southern Link by conducting noise monitoring to determine we were meeting our obligations | Ongoing, As needed, As needed, As needed |
| Employee engagement | Employees | ➔ Launched new learning and development program tailored for managers and employees  
 ➔ Expanded our workplace giving program in Australia, giving employees option to donate to any of eight charities in program, with Transurban matching contributions dollar-for-dollar  
 ➔ Launched a new program enabling employees to purchase additional leave | Ongoing, Ongoing, Ongoing |
### Key Issues and Engagement Activities in FY11

<table>
<thead>
<tr>
<th>Issue</th>
<th>Stakeholder</th>
<th>Key Engagement Activities in FY11</th>
<th>Frequency of Engagement</th>
</tr>
</thead>
</table>
| Workplace safety | Employees | → Reduced Lost Time Injuries (LTIs) in our Australian offices by 68 per cent compared to FY10  
→ Achieved Australian Standard 4801 safety accreditation for all our sites that underwent review  
→ Built OHS Key Performance Indicators (KPIs) into our performance planning and review process for employees and managers  
→ Implemented a pre-qualification system to ensure our contractors have adequate health and safety risk management in place, and established a formal Contractor Working Group to report back to our company’s Senior Work Health and Safety Group | Ongoing |
| Environmental impacts from construction | Communities  
Government  
Contractors/Partners | → Established sustainability Key Result Areas (KRAs) on the Hills M2 Upgrade, including those related to GHG emission reductions during construction  
→ Undertook a feasibility assessment on water recycling opportunities on the M1 Upgrade in Melbourne  
→ Conducted ongoing inspections and audits of our contractor’s stormwater management practices on the Capital Beltway HOT lanes project | Ongoing  
Ad hoc  
Ongoing |
| Climate change impacts | Employees  
Board Executive/Management | → Board approved a formal climate change strategy articulating the risks and opportunities climate change presents to our business—and our strategic response to these  
→ Continued to develop our GHG inventory measuring our Scope 1, 2 and 3 emissions  
→ Continued to assess options to reduce our emissions within our operations and projects | As needed  
Ongoing  
Ongoing |
| GHG emissions from customer travel | Industry  
Government | → Carried out market research into community perceptions of climate change and what these mean for the future of driving in Australia, and shared the findings with industry, government and NGOs in Victoria to identify any common concerns or approaches  
→ Continued to inform customers on ways to reduce their emissions from driving through our updated ‘My Commute’ website for Sydney motorists | Ad hoc  
Ongoing |
| Reducing energy use and waste in operations | Government  
Customers  
Employees  
Communities | → Commissioned our energy retailer to do an audit to help us determine if we could further reduce energy use on CityLink  
→ Worked with maintenance contractors on CityLink to install longer life lighting in the Domain Tunnel, which has resulted in a 50 per cent (approximate) reduction in the amount of fluorescent globes sent to landfill  
→ Changed our customer payment cards from a PVC material to more sustainable Teslin product | As needed  
Ongoing  
Ongoing |
| Corporate governance | Investors | → Established a new Board-approved remuneration framework designed to better align senior executives’ pay with security holder return  
→ Continued our Board renewal process with the appointment of two new directors  
→ Implemented a range of diversity and pay equity initiatives including a diversity policy and a women in leadership program | Ongoing  
As needed  
Ongoing |
In FY11 we completed 62 per cent of the commitments that we set in FY10 (which includes ongoing commitments). 24 per cent are currently in progress and 14 per cent were not started but are planned for FY12.

### 2010-11 COMMITMENT STATUS

<table>
<thead>
<tr>
<th>COMMITMENT</th>
<th>LOCATION</th>
<th>SUSTAINABILITY PILLAR</th>
<th>STATUS</th>
<th>COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roll out climate change strategy and develop action plans arising from the strategy.</td>
<td>Global</td>
<td>Environment</td>
<td>In progress</td>
<td>Climate change strategy approved by the Board in August 2010. Action Plans are being developed in line with Business Plans.</td>
</tr>
<tr>
<td>Upgrade tunnel air quality monitoring equipment on CityLink to enable a greater range of data to be captured.</td>
<td>Australia – CityLink</td>
<td>Environment</td>
<td>In progress</td>
<td>Tenderers have submitted proposals. On target for implementation December 2011.</td>
</tr>
<tr>
<td>Conduct an assessment of in-tunnel air quality data across our road assets to set internal benchmarking standards and inform any future public or statutory debate</td>
<td>Australia</td>
<td>Environment</td>
<td>Completed</td>
<td></td>
</tr>
<tr>
<td>Update the Transurban Environment Strategy to align with the Sustainability Framework and Environment and Sustainability chapter of the Transurban Infrastructure Governance Framework.</td>
<td>Global</td>
<td>Environment</td>
<td>In progress</td>
<td>The Environment and Sustainability chapter will be rewritten in FY12.</td>
</tr>
<tr>
<td>Implement changes to the groundwater recycling facility on CityLink to enable the use of more recycled water to operate the facility.</td>
<td>Australia – CityLink</td>
<td>Environment</td>
<td>In progress</td>
<td>Finalising design details and funding submission.</td>
</tr>
<tr>
<td>Work with the Fairfax County Restoration Committee to identify potential landscaping opportunities along the Capital Beltway HOT lanes corridor.</td>
<td>US</td>
<td>Environment</td>
<td>Completed</td>
<td>Ongoing as part of Capital Beltway Upgrade Project.</td>
</tr>
<tr>
<td>Develop an internal communications program to improve recycling rates in our offices.</td>
<td>Australia</td>
<td>Environment</td>
<td>Not progressing</td>
<td>Due to changes within the business, this will not go ahead.</td>
</tr>
<tr>
<td>Achieve formal accreditation of our OHS systems against the Australian Standard (AS 4801).</td>
<td>Australia</td>
<td>Employees</td>
<td>Completed</td>
<td></td>
</tr>
<tr>
<td>Continue to develop Good Company Group activities around community engagement, sports and recreation, and green office for US employees.</td>
<td>US</td>
<td>Employees</td>
<td>Completed</td>
<td></td>
</tr>
<tr>
<td>Roll out the Manager's Essentials training program for Transurban managers to develop future leadership capabilities.</td>
<td>Australia</td>
<td>Employees</td>
<td>Ongoing</td>
<td>The first phase of this program was rolled out in FY11, with education programs continuing in FY12.</td>
</tr>
<tr>
<td>Adopt a Diversity Policy with set objectives to help our business become an early adopter of the ASX Corporate Governance Principles on diversity.</td>
<td>Australia</td>
<td>Employees</td>
<td>Completed</td>
<td></td>
</tr>
</tbody>
</table>
### 2010-11 Commitment Status

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Location</th>
<th>Sustainability Pillar</th>
<th>Status</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engage with key stakeholders about the potential impacts of climate change</td>
<td>Australia</td>
<td>Marketplace/Environment</td>
<td>Completed</td>
<td>See Environment section.</td>
</tr>
<tr>
<td>Develop an education program for customers about eco-driving and fuel</td>
<td>Australia</td>
<td>Marketplace/Environment</td>
<td>Not progressing</td>
<td>Due to changes within the business, this will not go ahead.</td>
</tr>
<tr>
<td>efficiency.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continue to actively engage with local communities about the potential</td>
<td>Global</td>
<td>Marketplace</td>
<td>Completed</td>
<td>This is an ongoing commitment as part of the Capital Beltway HOT lanes and Hills M2 Upgrade projects.</td>
</tr>
<tr>
<td>impacts of construction activities on the Capital Beltway HOT lanes and</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hills M2 Upgrade projects.</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Develop a “My Commute” website for CityLink that compares travel times and</td>
<td>Australia</td>
<td>Marketplace</td>
<td>Completed</td>
<td>At this stage only trips to the airport are included.</td>
</tr>
<tr>
<td>GHG emissions savings for alternative travel routes in Melbourne.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Develop a company-wide strategy for Transurban’s community involvement.</td>
<td>Global</td>
<td>Community</td>
<td>In progress</td>
<td>Draft strategy completed. This will be rolled out across the business in FY12.</td>
</tr>
<tr>
<td>Ensure corporate and asset level annual stakeholder engagement plans align</td>
<td>Global</td>
<td>Community</td>
<td>Completed</td>
<td></td>
</tr>
<tr>
<td>with Transurban’s Stakeholder Engagement Framework.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perform bi-annual tracking research on the Capital Beltway HOT lanes project</td>
<td>US</td>
<td>Community</td>
<td>Completed</td>
<td>This is an ongoing commitment as part of the Capital Beltway HOT lanes project. Three surveys planned for FY12 in advance.</td>
</tr>
<tr>
<td>to identify emerging community issues and concerns.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continue a corporate membership program to facilitate engagement in the</td>
<td>US</td>
<td>Community</td>
<td>Completed</td>
<td></td>
</tr>
<tr>
<td>community.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support employees in securing and maintaining leadership roles in</td>
<td>US</td>
<td>Community/Employees</td>
<td>Completed</td>
<td></td>
</tr>
<tr>
<td>community organisations to promote Transurban engagement in communities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>in which we operate.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Measure, monitor and assess our stakeholder engagement performance in line</td>
<td>Community</td>
<td></td>
<td>On hold</td>
<td>Due to changes within the business, this commitment is being reassessed.</td>
</tr>
<tr>
<td>with the AccountAbility AA1000 Stakeholder Engagement Standard.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## 2011-12 COMMITMENTS

<table>
<thead>
<tr>
<th>COMMITMENT</th>
<th>LOCATION</th>
<th>SUSTAINABILITY PILLAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conduct infrastructure climate change risk assessment for NSW assets (Hills M2, ED, LCT).</td>
<td>Australia</td>
<td>Environment</td>
</tr>
<tr>
<td>Initiate and run an extended portal emissions trial on CityLink to research the emission parameters of the ventilation during low usage periods, with the objective to further reduce energy use and associated carbon emissions.</td>
<td>Australia</td>
<td>Environment</td>
</tr>
<tr>
<td>Develop action plan on CityLink to deliver a 10 per cent reduction in energy use as measured in 2010 by 2014.</td>
<td>Australia</td>
<td>Environment</td>
</tr>
<tr>
<td>Install LED lighting on Western Link (CityLink).</td>
<td>Australia</td>
<td>Environment</td>
</tr>
<tr>
<td>Implement potable water savings and groundwater recycling facility (saving 15,000 litres per day) with regards to the Swan St facility for CityLink.</td>
<td>Australia</td>
<td>Environment</td>
</tr>
<tr>
<td>Relocation of Transurban server room from 505 Lt Collins St outside of CBD to Port Melbourne.</td>
<td>Australia</td>
<td>Marketplace</td>
</tr>
<tr>
<td>Continue the process of virtualising servers to save energy and equipment.</td>
<td>Australia</td>
<td>Marketplace</td>
</tr>
<tr>
<td>Conduct a road safety education campaign promoting the importance of the Lane Use Management System (LUMS) and penalties associated with non compliance.</td>
<td>Australia</td>
<td>Marketplace</td>
</tr>
<tr>
<td>Develop and oversee a crisis communications plan to support the incident response plans.</td>
<td>US</td>
<td>Marketplace</td>
</tr>
<tr>
<td>Educate customers surrounding the opening of the HOT lanes - how to use, location of entrances and exits, safety, etc.</td>
<td>US</td>
<td>Marketplace</td>
</tr>
<tr>
<td>Implement a company-wide safety KPI.</td>
<td>Australia</td>
<td>Employees</td>
</tr>
<tr>
<td>Implement the Hay Job Evaluation methodology throughout the remaining management levels of the business.</td>
<td>Australia</td>
<td>Employees</td>
</tr>
<tr>
<td>Implement targeted Equal Employment Opportunity training to all employees and managers throughout the business.</td>
<td>Australia</td>
<td>Employees</td>
</tr>
<tr>
<td>Review FY11 Diversity objective outcomes and set objectives for FY12, including the completion of a gender pay equity review.</td>
<td>Australia</td>
<td>Employees</td>
</tr>
<tr>
<td>Identify and promote development opportunities for employees.</td>
<td>Australia</td>
<td>Employees</td>
</tr>
<tr>
<td>Continue to roll out the Manager’s Essentials training program for Transurban managers to develop future leadership capabilities.</td>
<td>Australia</td>
<td>Employees</td>
</tr>
<tr>
<td>Implement a company-wide strategy for Transurban’s community involvement.</td>
<td>Global</td>
<td>Community</td>
</tr>
<tr>
<td>Develop and implement a new state-wide public affairs strategy, supported by asset specific strategies for the Hills M2, Lane Cove Tunnel and Eastern Distributor (ED).</td>
<td>Australia</td>
<td>Community</td>
</tr>
</tbody>
</table>
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